RAYTHEON CO/
Form DEF 14A
April 17, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ]	Preliminary Proxy Statement
[ ]	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
[X]	Definitive Proxy Statement
[ ]	Definitive Additional Materials
[ ]	Soliciting Material Pursuant to §240.14a-12

Raytheon Company
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

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1) Amount Previously Paid:

2)	Form, Schedule or Registration Statement No.:
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4)	Date Filed:

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ENGINEERING
A SAFER WORLD

We live in a connected world. Cyber links our businesses together, makes our supply chain more efficient, drives the performance of our products, and underpins all of our capabilities. But even as the Internet of Things expands cyber's reach, it opens doors for cyber attacks that can threaten business operations, compromise personal security and put global security at risk.

Raytheon works at the forefront of cybersecurity. We build cyber protection into our products. We help governments and commercial enterprises secure their information and assets. And the new cyber technologies and services we develop help us engineer a safer world.

Learn more at http://www.raytheon.com/cyber

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April 17, 2018

On behalf of Raytheon's Board of Directors and leadership team, I cordially invite you to attend the Raytheon Company 2018 Annual Meeting of Shareholders on Thursday, May 31, 2018.

Your company had another great year in 2017, and Raytheon's growth strategy continued to deliver results. We set a new company record for net sales of $25.3 billion, we had strong 2017 bookings of $27.7 billion, and at the end of 2017 our backlog was up 4.1% compared to the end of 2016. Our strong balance sheet provides us with the financial flexibility to maintain a capital deployment strategy that includes investments to support continued growth, paying a sustainable and competitive dividend, and reducing our share count. Investor confidence in our performance propelled Raytheon's stock price to several new all-time highs, and our stock outperformed the S&P 500 for the seventh consecutive year. Taken together, we are creating long-term value for our shareholders while also engineering a safer world with the innovative solutions we provide for our customers.

Raytheon's Board of Directors has long guided the company by emphasizing the fundamental principles of integrity, accountability, transparency and engagement. An example of these principles in action is our regular communications with shareholders on governance and executive compensation matters — something we have done every year in both the spring and fall, dating back to 2010.

The Board's role is critical in overseeing Raytheon's long-term strategy, including our growing international and cybersecurity opportunities. In this regard, over the past several years, our Board has focused on board refreshment and diversity to ensure it has the backgrounds and skills necessary to foster the company's strategies in these areas, as well as the expertise to appropriately manage the associated risks. The Board's recent election of Adriane M. Brown is the latest example of the Board's proactive approach in this area.

The Board also continues to champion an approach to corporate responsibility that aligns with our strategy. That is why we are leading the way in embracing sustainable design, fostering a diverse and inclusive workplace, encouraging the next generation of engineers and scientists, and developing new technologies that reduce global threats.

I encourage you to review this proxy statement and to vote your proxy as soon as possible so that your shares will be represented at the meeting.

Thank you for your confidence in Raytheon and our global team.

Sincerely,

THOMAS A. KENNEDY
Chairman and Chief Executive Officer

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

ANNUAL MEETING OF SHAREHOLDERS

Time:
11:00 a.m.
Eastern Daylight Time

Date:
Thursday,
May 31, 2018

Place:
The Ritz-Carlton
Pentagon City
1250 South Hayes Street
Arlington, VA 22202

The Board of Directors of Raytheon Company is soliciting your proxy for the 2018 Annual Meeting of Shareholders.

LIVE AUDIO WEBCAST:
A live audio webcast of the Annual Meeting will be available at www.raytheon.com/ir.

RECORD DATE:
Shareholders of record at the close of business on Monday, April 2, 2018, are entitled to notice of and to vote at the meeting.

PROXY VOTING:
You can vote your shares by completing and returning the proxy card or voting instruction form that you received. Most shareholders also can vote their shares over the Internet or by telephone. Please check your proxy card or the information forwarded by your broker, bank, trust or other holder of record to see which options are available to you. You can revoke a proxy at any time before it is exercised by following the instructions in this proxy statement.

In person: If you are a shareholder of record, you may attend the Annual Meeting and vote by ballot. Please bring a valid picture ID. If your shares are held through a broker, bank, trust or other holder of record, you must present (i) an account statement demonstrating that you were a beneficial holder as of the record date, (ii) a proxy in your favor from the holder of record, and (iii) a valid picture ID.

Telephone: If you are a shareholder of record, call the telephone number and follow the instructions on the notice or proxy card mailed to you or in the email sent to you if you receive notification electronically. If your shares are held through a broker, bank, trust or other holder of record, follow the instructions provided to you by the holder of record if telephone voting is made available to you.

Internet: If you are a shareholder of record, follow the Internet voting instructions on the notice or proxy card mailed to you or in the email sent to you if you receive notification electronically. If your shares are held through a broker, bank, trust or other holder of record, follow the instructions provided to you by the holder of record if Internet voting is made available to you.

Mail: Complete and sign the proxy card or voting instruction form and return it in the enclosed postage pre-paid envelope.

Agenda Item	Voting Recommendation	More Information
1. Election of twelve directors nominated by Raytheon's Board	**FOR EACH NOMINEE**	Page 7
2. Advisory vote to approve named executive officer compensation	**FOR**	Page 28
3. Ratification of the independent auditors	**FOR**	Page 62
4. Shareholder proposal to amend the proxy access by-law	**AGAINST**	Page 69

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON THURSDAY, MAY 31, 2018

This proxy statement and our 2017 Annual Report are also available on our website at www.raytheon.com/proxy.

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PROXY SUMMARY

This summary highlights selected information contained in this proxy statement, but it does not contain all the information you should consider. We urge you to read the whole proxy statement before you vote. This proxy statement is being made available to shareholders on or about April 17, 2018.

Agenda Item	Voting Recommendation	More Information
1. Election of twelve directors nominated by Raytheon's Board	**FOR EACH NOMINEE**	Page 7
2. Advisory vote to approve named executive officer compensation	**FOR**	Page 28
3. Ratification of the independent auditors	**FOR**	Page 62
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CURRENT COMMITTEE MEMBERSHIPS

Independent Directors	Age	Director Since	Audit Committee	Governance and Nominating Committee	Management Development and Compensation Committee	Public Affairs Committee	Special Activities Committee
Tracy A. Atkinson	53	2014					
Robert E. Beauchamp	58	2015					
Adriane M. Brown	59	2018					
Vernon E. Clark (Lead Director)	73	2005					
Stephen J. Hadley	71	2009					
Letitia A. Long	59	2015					
George R. Oliver	56	2013					
Dinesh C. Paliwal	60	2016					
William R. Spivey	71	1999					
James A. Winnefeld, Jr.	62	2017					
Robert O. Work	65	2017					
Inside Director							
Thomas A. Kennedy	62	2014					
Number of Meetings in 2017			**9**	**6**	**6**	**6**	**11**

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COMPOSITION OF THE BOARD

BOARD TENURE AND REFRESHMENT

Our Board represents a balance of long-term members with in-depth knowledge of our business and newer members who bring valuable additional attributes, skills and experience. The Board has undergone significant refreshment over the last five years.

Director Nominees: Tenure on Board

DIVERSITY OF SKILLS AND EXPERIENCE

Our Board embodies a broad and diverse set of experiences, qualifications, attributes and skills.

Below are the attributes, skills and experience of our director nominees.

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OUR 2017 PERFORMANCE

In 2017, our growth strategy continued to deliver results for our shareholders and customers, and we also maintained strong program performance and operating margins. Our global team built upon Raytheon's return to growth in 2015, driven by increases in both domestic and international sales. In fact, 2017 was the 14th consecutive year of international sales growth, which reflects the continued success of our differentiated international strategy. Highlights of our 2017 performance include:

RECORD FULL-YEAR NET SALES OF
$25.3 BILLION
UP 5.1% FOR THE YEAR

STRONG BOOKINGS OF
$27.7 BILLION
FOR THE YEAR

FULL-YEAR EPS FROM CONTINUING OPERATIONS OF
$6.94
(reflecting an unfavorable $0.59 impact from the Tax Cuts and Jobs Act of 2017 and an unfavorable $0.09 impact from a discretionary pension plan contribution)

STRONG OPERATING CASH FLOW FROM CONTINUING OPERATIONS OF
$2.7 BILLION
FOR THE YEAR
(after a 4th quarter $1.0 billion pretax discretionary pension plan contribution)

14TH
CONSECUTIVE YEAR OF INTERNATIONAL SALES GROWTH

2017 TOTAL SHAREHOLDER RETURN OF
34.0%

OUR EXECUTIVE COMPENSATION PROGRAM

Our Management Development and Compensation Committee (MDCC) designed our executive compensation program to attract and retain highly-qualified executives, motivate our executives to achieve our overall business objectives, reward individual performance, and align our executives' interests with those of our shareholders. Our program's primary direct compensation elements are base salary, annual cash incentives, and long-term equity incentives. The MDCC focuses on the appropriate mix between fixed and at-risk variable compensation, and between short-term cash and long-term equity compensation, to provide total direct compensation opportunities that meet our objectives. Our base salaries are competitive and reflect an executive's experience and scope of responsibilities. Our annual cash incentives and long-term equity incentives motivate and reward both Raytheon and individual performance. Our long-term equity incentives also align executives' interests with those of our shareholders, and help retain highly-qualified executives.

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CEO Compensation

Other NEOs (Named Executive Officers) Compensation[1]

(1) Base salary includes a lump-sum payment to Mr. Wajsgras in 2017 in lieu of a base salary merit increase. This amount appears in the "Bonus" column of the Summary Compensation Table on page 49. Restricted Stock excludes a retention award of restricted stock granted to Mr. Yuse in 2017. For more information, see the Summary Compensation Table on page 49.

Most of our executives' compensation is at risk and varies based on performance. Due to Raytheon's strong 2017 financial performance, our annual cash incentive (RBI) was funded, and our long-term equity performance plan (LTPP) paid out, above predetermined targets. Our Named Executive Officers also achieved strong results against their individual performance goals in 2017.

Consistent with our compensation objectives, our Named Executive Officers, or NEOs, received the following compensation in 2017:

			Annual Cash Incentive	Long-Term Equity Incentives[1]		
NEO	Salary	Bonus	RBI	LTPP	Restricted Stock	Total
Thomas A. Kennedy Chairman and Chief Executive Officer	$1,403,211	–	$3,434,000	$5,499,988	$4,400,045	$14,737
Anthony F. O'Brien Vice President and Chief Financial Officer	$721,159	–	$912,400	$1,299,946	$1,249,928	$4,183,4
David C. Wajsgras Vice President, and President of Intelligence, Information and Services (IIS)	$977,101	$ 19,542[3]	$1,171,500	$1,250,011	$1,300,065	$4,718,2
Richard R. Yuse[2] Vice President, and President of Space and Airborne Systems (SAS)	$821,290	–	$984,700	$1,250,011	$1,300,065	$4,356,0
Taylor W. Lawrence Vice President, and President of Missile Systems (MS)	$756,473	–	$932,000	$1,250,011	$1,300,065	$4,238,5

(1) Reflects the NEO's restricted stock/unit award and 2017–2019 LTPP award (at target) granted in 2017 based on the number of shares/units multiplied by the closing price of our common stock on the award determination date.
(2) This table excludes the value of a retention award of restricted stock granted to Mr. Yuse in 2017.
(3) This amount represents a lump sum payment to Mr. Wajsgras in 2017 in lieu of a base salary merit increase.

For a complete discussion of our executive compensation program, see the "Compensation Discussion and Analysis" section of this proxy statement.

SHAREHOLDER ENGAGEMENT AND ADVISORY SAY-ON-PAY VOTE

For each of the last eight years, we have communicated with a significant percentage of our shareholders (typically representing between 30% and 40% of our shares) on governance and compensation matters. Since 2011, the first year we offered a shareholder advisory say-on-pay vote, Raytheon's shareholders have consistently voted overwhelmingly for our executive compensation program, with an average of 95.0% voting in favor.

We view this support as an indication of broad shareholder agreement with the philosophy and policies underpinning our executive compensation program.

Votes Cast "FOR" Our Executive Compensation

100%

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GOVERNANCE HIGHLIGHTS

Major elements of our governance profile are summarized below. We discuss most of these matters in greater detail in this proxy statement.

RECENT DEVELOPMENTS

Significant Board Refreshment
Four new directors added in the last two years; a total of nine directors added and six departed in the last five years.
Redesigned Proxy Statement in 2017
Proxy statement revamped to be more readable and useful for shareholders.
Introduction in 2017 of Individual Director Self-Assessments
Tied to director development and Board/committee leadership planning, overseen by the Board's Governance and Nominating Committee.

INDEPENDENCE

- All non-employee directors are independent
- Independent directors regularly meet in executive session
- Rigorous compensation consultant independence policy

SHAREHOLDER ACCESS

- Active company outreach and engagement with shareholders throughout the year
- Shareholders may include nominees in Raytheon proxy materials (proxy access)
- Shareholders may call special shareholder meetings
- Shareholders may act by written consent

ACCOUNTABILITY

- Annual election of all directors and majority voting in uncontested elections
- Annual shareholder advisory vote to approve named executive officer compensation
- Annual Board evaluation of CEO performance
- Restatement Clawback Policy
- No 'poison pill'

INDEPENDENT LEAD DIRECTOR

- Fully independent and empowered Lead Director with broadly defined authority and responsibilities
- Position currently held by Vernon E. Clark, Retired Chief of Naval Operations for the U.S. Navy

ALIGNMENT WITH SHAREHOLDER INTERESTS

- Pay-for-performance executive compensation program
- Rigorous stock ownership and retention guidelines for directors and officers
- Prohibition against director and officer hedging of Raytheon stock

TRANSPARENCY

- Clear, understandable and detailed financial reporting and proxy statement disclosure
- Extensive voluntary website disclosure regarding Raytheon s political expenditures and lobbying activities
- Annual Corporate Responsibility Report addressing sustainability, ethics and business conduct, safety and wellness, and community support

BOARD PRACTICES

- Robust annual Board and committee self-evaluation process, including a mid-year review and independent director discussions in executive session
- Individual director self-assessments
- Mandatory director retirement at age 74
- Periodic Board review of management succession planning
- Balanced and diverse Board composition
- Limits on outside public company board service

RISK OVERSIGHT

- Regular Board review of enterprise risk management and related policies, processes and controls
- Board committees exercise oversight of risk matters under their purview

PROPOSAL 1:
ELECTION OF DIRECTORS
(Item No. 1 on the Proxy Card)

Raytheon directors are elected annually by the shareholders. The Board has nominated Tracy A. Atkinson, Robert E. Beauchamp, Adriane M. Brown, Vernon E. Clark, Stephen J. Hadley, Thomas A. Kennedy, Letitia A. Long, George R. Oliver, Dinesh C. Paliwal, William R. Spivey, James A. Winnefeld, Jr., and Robert O. Work to serve one-year terms that will expire at the 2019 Annual Meeting of Shareholders. These individuals all currently serve on our Board. Ms. Brown and Mr. Work were each first elected by the Board since the last Annual Meeting upon the recommendation of the Governance and Nominating Committee, which was aided by a third-party director recruiting firm.

We introduce our nominees for director below, and explain the experience, qualifications, attributes and skills considered by the Governance and Nominating Committee in support of each individual's nomination. If elected, the nominees will continue in office until their successors have been duly elected and qualified, or until their death, resignation or retirement. We expect each of the nominees will serve if elected. If any nominee is unable or unwilling to serve, the proxies may be voted for a substitute nominee designated by the Board.

NOMINEES FOR ELECTION

TRACY A. ATKINSON

Ms. Atkinson provides the Board with significant experience in finance, risk management and related regulatory and compliance matters gained through numerous positions of significant responsibility with State Street and MFS Investment Management. In addition, she has valuable accounting expertise derived from her experience as a certified public accountant and a partner at PricewaterhouseCoopers LLP.

Positions with State Street Corporation (financial services firm): Executive Vice President since 2009; Executive Vice President and Chief Compliance Officer from 2017 to present; Executive Vice President, Finance from 2010 to 2017; Treasurer from 2016 to 2017; Executive Vice President, Chief Compliance Officer from 2009 to 2010; Executive Vice President, Chief Compliance Officer of State Street Global Advisors from 2008 to 2009.

Positions with MFS Investment Management (financial services firm): Senior Vice President, Treasurer and Chief Financial Officer from 2005 to 2008; Senior Vice President, Chief Risk and New Product Development Officer from 2004 to 2005.

Partner at PricewaterhouseCoopers LLP from 1999 to 2004.

Affiliations: President of the Board, The Arc of Massachusetts.

Director since
2014

Age: 53

Committees:

Audit (Chair)

Public Affairs

FOR The Board unanimously recommends that shareholders vote FOR each of the nominees for election. Proxies solicited by the Board will be so voted unless shareholders specify otherwise in their proxies.

ROBERT E. BEAUCHAMP

Mr. Beauchamp brings executive leadership experience and valuable commercial software, cybersecurity and information technology expertise to the Board, serving as the Chairman of BMC Software since 2008 and having served as its President and CEO for 15 years. He also has significant experience in strategic planning, global operations and sales, finance, mergers and acquisitions, and risk management gained through various roles of increasing responsibility at BMC Software.

Positions at BMC Software, Inc. (provider of business service management software): Chairman since 2016; Chairman, President and CEO from 2008 to 2016; President, CEO and member of the board of directors from 2001 to 2008; held a variety of leadership roles of increasing responsibility from 1988 to 2001.

Current Directorship: Forcepoint, LLC (cybersecurity joint venture company owned by Raytheon Company with Vista Equity Partners) since October 2016.

Past Directorship: National Oilwell Varco, Inc. (provider of equipment and services for the oil and gas industry) from 2001 to 2015.

Affiliations: Member, Board of Regents, Baylor University.

Director since 2015

Age: 58

Committees:

Audit

Management Development and Compensation

ADRIANE M. BROWN

Ms. Brown brings to the Board extensive business leadership experience through her leadership positions at a number of global technology and commercial businesses. She also possesses significant experience relating to technology innovation and the protection and commercialization of intellectual property, as well as business development, strategic planning, international operations, risk management and finance.

Positions with Intellectual Ventures, LLC (an invention capital company): Senior Advisor since August 2017; President and Chief Operating Officer from 2010 to July 2017.

Positions with Honeywell International, Inc. (a defense, electronics and engineering company): Series of leadership positions beginning in 1999, including President and CEO, Transportation Systems.

Positions with Corning, Inc. (a high technology materials provider): Variety of roles from 1980 to 1999, ultimately serving as Vice President and General Manager of the Environmental Products Division.

Current Directorships: eBay Inc. (provider of e-commerce marketplaces) since September 2017; and Allergan plc (a pharmaceuticals company) since February 2017.

Past Directorship: Harman International Industries, Inc. (provider of connected car systems, audio and visual products, and enterprise automation solutions) from 2013 to March 2017.

Affiliations: Washington Research Foundation Board of Directors; Pacific Science Center Board of Directors; and Jobs for America's Graduates Board of Directors.

Director since

March 2018

Age: 59

Committees:

Management Development and Compensation

Public Affairs

VERNON E. CLARK

Admiral Clark delivers deep industry-specific expertise and senior leadership experience in strategic oversight and organizational management gained through his extensive and distinguished service in the U.S. military, including as Chief of Naval Operations and a member of the Joint Chiefs of Staff. He provides the Board with critical strategic and operational insights on the global security environment and the solutions used by and the needs of our core defense customers.

Director since 2005
Lead Director since 2013
Age: 73
Committee:
Special Activities (Chair)

Chief of Naval Operations, the senior uniformed executive of the United States Navy, and member of the Joint Chiefs of Staff, from 2000 until retirement in 2005.

37-year career in the United States Navy, serving in various positions of increasing responsibility; assigned as the senior executive in ten different assignments, beginning as a lieutenant commanding a patrol gunboat and concluding as the Chief of Naval Operations.

Current Directorship: Rolls Royce North America (aerospace, marine and energy-related manufacturer) since 2006.

Past Directorship: Horizon Lines, Inc. (ocean shipping and integrated logistics company) from 2007 to 2011.

STEPHEN J. HADLEY

Mr. Hadley has substantial national security, international affairs, public policy and legal experience through his extensive career in government, consulting and private legal practice. He provides the Board with unique and diverse perspectives on the global security environment and international affairs, and valuable leadership and experience in the areas of strategic oversight, public policy and regulatory compliance.

Director since 2009
Age: 71
Committees:
Governance and Nominating (Chair)
Management Development and Compensation
Special Activities

Principal in RiceHadleyGates LLC (international strategic consulting firm) since 2009.

Assistant to the President for National Security Affairs from 2005 to 2009.

Assistant to the President and Deputy National Security Advisor from 2001 to 2005.

Partner in the Washington, D.C. law firm of Shea & Gardner and a principal in The Scowcroft Group (international consulting firm) from 1993 to 2001.

Current Directorships: The Bessemer Group, Incorporated (financial services holding company) (including service on its Compensation Committee since 2012 and its Audit Committee since 2013), Bessemer Securities Corporation (including service on its Audit Committee since 2011), and certain related entities (all privately-held financial services companies) since 2009.

Affiliations: Director (and member of the Executive Committee) of the Atlantic Council of the United States since 2010, and Executive Vice Chair since 2015; Member of the Board of Managers of the Johns Hopkins University Applied Physics Laboratory since 2011; Member of Yale University's Kissinger Papers Advisory Board since 2011; Member, Board of Directors, U.S. Institute of Peace since 2013 and Chair since 2014; Member of the Board of Directors of the Council on Foreign Relations since 2015; and Member, International Advisory Board of Robert Bosch GmbH (a German industrial company) since 2015.

THOMAS A. KENNEDY

Mr. Kennedy has in-depth knowledge of Raytheon s business, technology and capabilities, operations, and global markets, as well as significant experience in strategic planning, mergers and acquisitions, cybersecurity, engineering and technology, finance, and risk management. He also provides the Board with executive leadership and substantial business experience and deep industry-specific expertise developed while holding roles of increasing responsibility at Raytheon.

Positions at Raytheon: Chief Executive Officer since 2014; Executive Vice President and Chief Operating Officer from April 2013 to March 2014; Vice President and President of the Integrated Defense Systems business unit from 2010 to 2013; Vice President of the Tactical Airborne Systems product line within the Space and Airborne Systems business unit from 2007 to 2010; and various other leadership positions during a 35-year career.

Current Directorship: Forcepoint, LLC (cybersecurity joint venture company owned by Raytheon Company with Vista Equity Partners) since 2015.

Affiliations: Aerospace Industries Association Board Chairman; Rutgers University School of Engineering Industry Advisory Board; UCLA School of Engineering Advisory Board; Massachusetts Institute of Technology Industry Advisory Board; and Congressional Medal of Honor Foundation Board.

Director since January 2014
Chairman of the Board since October 2014
Age: 62

LETITIA A. LONG

Ms. Long brings to the Board substantial intelligence, national security and public policy experience developed through numerous roles of increasing responsibility in the U.S. government. Through this experience, combined with her roles on the boards of other companies and organizations, she provides critical insights on global intelligence and security matters, and valuable leadership and experience in strategic planning and oversight, public policy, organizational management and technology.

Director, National Geospatial-Intelligence Agency from 2010 to 2014.

Deputy Director, Defense Intelligence Agency from 2006 to 2010.

Deputy Under Secretary of Defense (Intelligence) for Policy, Requirements and Resources from 2003 to 2006.

Deputy Director of Naval Intelligence from 2000 to 2003.

32-year career with the United States government holding a series of leadership roles of increasing responsibility.

Current Directorships: Sonatype, Inc. (privately-held developer and provider of software products) since August 2017; Urthecast Corporation (provider of video technology for Earth observation) since 2015; and Noblis, Inc. (not-for-profit science, technology and strategy services provider) since 2015.

Affiliations: Member, Virginia Polytechnic Institute and State University School of Public and International Affairs Board of Advisors; Member, Virginia Polytechnic Institute and State University Board of Visitors; Member, United States Geospatial Intelligence Foundation Board of Directors; and Board Chair, Intelligence and National Security Alliance.

Director since 2015
Age: 59
Committees:
Audit
Public Affairs (Chair)
Special Activities

GEORGE R. OLIVER

Mr. Oliver provides the Board with executive leadership and substantial global commercial operational and management experience gained through his leadership roles at global technology and industrial companies Johnson Controls, Tyco International and General Electric. He also has significant experience in strategic planning, mergers and acquisitions, finance, risk management, technology and governance.

Director since 2013
Age: 56
Committees:
- Audit
- Management Development and Compensation
- Public Affairs

Positions with Johnson Controls International plc (diversified technology and multi-industrial company): Chairman of the Board and Chief Executive Officer since September 2017; President and Chief Operating Officer, and a member of the Board of Directors, from the date of Johnson Controls merger with Tyco International Ltd. in September 2016 to September 2017.

Positions with Tyco International Ltd. (fire protection and security systems provider): CEO and member of the Board of Directors from 2012 to September 2016; President from 2011 to 2012.

President of Tyco Electrical and Metal Products from 2007 to 2010; and President of Tyco Safety Products from 2006 to 2010.

President of GE Water and Process Technologies until 2006; prior to this position, held a series of leadership roles of increasing responsibility at several General Electric divisions.

Affiliations: Trustee of Worcester Polytechnic Institute.

DINESH C. PALIWAL

Mr. Paliwal brings to the Board executive leadership experience and global commercial management and operational expertise developed through his CEO and other senior leadership roles at Harman International Industries and the ABB Group and his current and past director roles on the boards of other large, complex global commercial companies. He also has significant experience in strategic planning, finance, mergers and acquisitions, risk management, product development, and technology innovation.

Director since September 2016
Age: 60
Committees:
- Governance and Nominating
- Public Affairs

Positions with Harman International Industries (designer of connected products and solutions for automakers, consumers, and enterprises): President since March 2017 when Harman was acquired by Samsung Electronics; Chairman, Chief Executive Officer and President from 2007 to March 2017.

Formerly President of ABB Ltd. Switzerland (global industrial automation and power transmission systems enterprise); also served as Chairman and CEO of ABB Inc. USA from 2004 to 2007 and President of ABB Automation from 2002 to 2005.

Current Directorship: Bristol-Myers Squibb (a pharmaceuticals company), since 2013.

Past Directorships: Harman International Industries, Inc. from 2007 to 2017; ADT Corporation (fire protection and security systems provider) from 2011 to 2014; and Tyco International Ltd. (fire protection and security systems provider) from 2011 to 2012.

Affiliations: Member of the Business Roundtable, the US-India Business Council and the US-India CEO Forum.

WILLIAM R. SPIVEY

Mr. Spivey has extensive business leadership experience through his roles as both a CEO and business unit leader at a number of public technology companies and a director of numerous U.S. and global technology and industrial companies. He also provides significant experience in strategic oversight, global operations and sales, finance, risk management, and technology.

Director since
1999
Age: 71
Committees:
Governance and Nominating
Management Development and Compensation (Chair)

President and CEO of Luminent, Inc. (fiber-optic transmission products provider) from 2000 to 2001.

Group President, Network Products Group, Lucent Technologies Inc. from 1997 to 2000.

Vice President, Systems & Components Group, AT&T Corporation from 1994 to 1997.

Group Vice President and President, Tektronix Development Company, Tektronix, Inc. from 1991 to 1994.

Past Directorships: Cascade Microtech, Inc. (advanced wafer probing solutions provider) from 1998 to 2016; Lam Research Corporation (advanced process equipment provider) from 2012 to 2015; Laird PLC (electronics components and systems provider) from 2002 to 2012; Novellus Systems, Inc. (advanced process equipment provider) from 1998 to 2012; ADC Telecommunications, Inc. (supplier of network infrastructure products and services) from 2004 to 2010; Lyondell Chemical Company (manufacturer of basic chemicals and derivatives) from 2000 to 2007; and Luminent, Inc. (fiber-optic transmission products provider) from 2000 to 2001.

JAMES A. WINNEFELD, JR.

Admiral Winnefeld brings extensive senior leadership, strategic planning and management experience developed through his various roles of increasing responsibility in the U.S. military, culminating in his service as the Ninth Vice Chairman of the Joint Chiefs of Staff. He provides the Board with deep industry-specific domain knowledge and expertise on the global security environment and our core defense customers.

Director since
January 2017
Age: 62
Committees:
Audit
Special Activities

Ninth Vice Chairman of the Joint Chiefs of Staff from 2011 until retirement in 2015.

37-year career in the United States Navy, serving in various positions of increasing responsibility, including Commander, U.S. Northern Command (USNORTHCOM); Commander, North American Aerospace Defense Command (NORAD); Commander, U.S. Sixth Fleet; and Commander, Allied Joint Command Lisbon.

Current Directorships: Omni Air International (privately-held charter air provider) since January 2017; Alliance Laundry Systems LLC (privately-held laundry equipment manufacturer) since 2016; Cytec Defense Materials (privately-held composite materials distributor) since 2016; and Enterprise Holdings, Inc. (privately-held vehicle rental, fleet management and automobile sales company) since 2015.

Affiliations: U.S. Naval Institute Board of Directors; United States Naval Academy Board of Advisors.

ROBERT O. WORK

Director since August 2017

Age: 65

Committees:

Audit

Public Affairs

Special Activities

Mr. Work provides the Board with significant insight into customer needs acquired through his command, leadership and management positions, including as an officer in the U.S. Marine Corps, Undersecretary of the Navy and Deputy Secretary of Defense. He has broad expertise in global security matters, including in the areas of defense strategy, advanced technologies, international studies and acquisition reform.

Deputy Secretary of Defense from 2014 until July 2017.

Chief Executive Officer, Center for New American Security from 2013 to 2014.

Undersecretary of the United States Navy from 2009 to 2013.

Positions with the Center for Strategic and Budgetary Assessments: Served in positions of increasing responsibility from 2002 to 2009, culminating in service as Vice President for Strategic Studies.

27-year career in the United States Marine Corps, serving in various positions of increasing responsibility from 1974 to 2001, including artillery battery commander; battalion commander; Base Commander, Camp Fuji, Japan; and Senior Aide to the Secretary of the Navy.

Current Directorship: IEA Corporation (privately-held provider of strategy, technical and analytical support services to government agencies) since September 2017.

Affiliations: U.S. Naval Institute Board of Directors; Member, Council on Foreign Relations and International Institute for Strategic Studies.

FOR The Board unanimously recommends that shareholders vote FOR each of the nominees for election. Proxies solicited by the Board will be so voted unless shareholders specify otherwise in their proxies.

CORPORATE GOVERNANCE

The Board of Directors is committed to being a leader in corporate governance. The Board believes that good governance enhances shareholder value and goes beyond simply complying with legal requirements. It means taking an integrated and collaborative approach that promotes integrity, accountability, transparency, and the highest ethical standards. To that end, the Board has adopted a number of policies and practices to ensure effective governance, including our comprehensive Governance Principles. See "Governance Documents" on page 24 below for information on obtaining copies of the Governance Principles and related materials.

BOARD LEADERSHIP STRUCTURE

The Board believes the most effective leadership structure for Raytheon at this time is one with a combined Chairman and CEO, coupled with an independent Lead Director. Having a combined Chairman and CEO promotes a cohesive vision and strategy for Raytheon and enhances our ability to execute effectively. We have found that this structure is particularly advantageous for our international business because many of our foreign government customers value unified leadership and a single ultimate executive decision-maker.

The Board created the Lead Director role as an integral part of a leadership structure that promotes strong, independent oversight of Raytheon's management and affairs. The Lead Director, who must be independent, has the following primary responsibilities:

Working with the Chairman to develop and approve Board agendas and meeting schedules;	Advising the Chairman as to the quality, quantity and timeliness of the information sent to the Board;	Developing agendas for and chairing executive sessions of the Board (in which the independent directors meet without management);	Attending, to the extent feasible, the regularly scheduled meetings of each of the standing committees; and	Communicating periodically on an individual basis with each of the other independent directors and acting as a liaison between them and the Chairman and CEO.

Vernon E. Clark has served as the Lead Director since May 2013.

The Board annually reviews the role and function of the Lead Director. Our Governance Principles provide that the Lead Director should serve an initial two-year term, and may serve up to three additional one-year terms as determined by the Board. The Board is currently contemplating waiving the term limit provision to reappoint Mr. Clark as Lead Director to serve until May 2019. This reflects Mr. Clark's special value to Raytheon serving in this capacity and aligns with the Governance and Nominating Committee's leadership succession planning.

BOARD ROLE

The Board is responsible for overseeing the management of the business and affairs of Raytheon. Among the Board's most significant responsibilities is the oversight of Raytheon's long-term strategy and management of risk, and the selection of the CEO and planning for the CEO's succession.

THE BOARD'S ROLE IN STRATEGY

The Board recognizes the importance of ensuring that our overall business strategy is designed to create long-term value for Raytheon shareholders. As a result, the Board maintains an active oversight role in formulating, planning and implementing Raytheon's strategy. We have a robust annual strategic planning process during which elements of our business, financial, and investor plans and strategies and near- and long-term initiatives are developed and reviewed. This annual process culminates with a full-day Board session to review Raytheon's overall strategy with our senior leadership team and other executives. In addition to our business strategy, the Board reviews Raytheon's five-year financial plan, the first year of which serves as the basis for the Annual Operating Plan for the upcoming year.

The Board regularly considers the progress of and challenges to Raytheon's strategy and related risks throughout the year. At each regularly-scheduled Board meeting, the Chairman and CEO has an executive session with the Board to discuss strategic and other significant business developments since the last meeting.

THE BOARD'S ROLE IN RISK MANAGEMENT

Our risk management program covers the full range of material risks to Raytheon, including strategic, operational, financial, and compliance and reputational risks. The Board oversees Raytheon's risk management program and allocates certain oversight responsibilities to its committees. Each committee regularly reports to the Board on risk matters under its purview. The Board periodically reviews our risk management policies, processes and controls (including enterprise risk management, or ERM), and the Audit Committee from time to time separately reviews the Board's approach to risk oversight.

Management carries out the daily processes, controls and practices of our risk management program, many of which are embedded in our operations. In addition, as part of our ERM process, management identifies, assesses, prioritizes and develops mitigation plans for Raytheon's top risks. The Board and the committees regularly review and discuss significant risks with management, including through annual strategic discussions and regular reviews of annual operating plans, financial performance, merger and acquisition opportunities, market environment updates, international business activities, and presentations on specific risks.

BOARD OF DIRECTORS

oversees strategic and significant operational risks, such as operating and financial plan risks; legal and regulatory compliance risks, including those related to litigation, government investigations and enforcement actions, disputes, risk exposures and governance issues; and risks related to prospective mergers and acquisitions.

Audit Committee	Governance and Nominating Committee	Management Development and Compensation Committee	Public Affairs Committee	Special Activities Committee
oversees risks related to financial reporting, internal controls, internal audit, auditor independence, and related areas of law and regulation.	oversees risks related to governance issues.	oversees risks related to compensation policies and practices and talent acquisition, retention and development.	oversees various aspects of U.S. and international regulatory compliance, social responsibility, environmental matters, export/ import controls and crisis management.	oversees cybersecurity risks and risks related to our classified business.

THE BOARD'S ROLE IN MANAGEMENT SUCCESSION PLANNING

The Board's Management Development and Compensation Committee (MDCC) and the full Board periodically review succession planning for the Chairman and CEO and other senior leadership positions. These reviews include consideration and assessment of key leadership talent throughout Raytheon, and roles for which it may be necessary to consider external candidates. The Board also reviews Raytheon's talent strategy for critical positions and has regular opportunities to observe key leaders and high-potential talent through presentations, meetings and other events. The Board's carefully considered planning is evident in the process by which Thomas Kennedy was ultimately elected as Chairman and CEO. Mr. Kennedy, who has had a 35-year career with Raytheon, previously served in a series of positions of increasing responsibility, including President of Raytheon's Integrated Defense Systems business and Executive Vice President and Chief Operating Officer.

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DIRECTOR CANDIDATE CONSIDERATION AND BOARD REFRESHMENT

The Board and its Governance and Nominating Committee seek to have an engaged and independent Board that upholds the strictest ethical standards. Each Raytheon director is expected to:

- Have the highest character and integrity;
- Possess substantial experience and expertise of particular relevance and importance to Raytheon;
- Contribute to a balanced Board with the diverse set of attributes, skills and experience necessary to maximize shareholder value;
- Represent the interests of our shareholders as a whole, and not particular special interests; and
- Devote significant time to the duties of a director.

EVALUATING BOARD CAPABILITIES AND DETERMINING NEEDS

When evaluating each director nominee and the potential needs and composition of the Board as a whole, the Governance and Nominating Committee looks for individuals with the potential to make significant contributions that will enhance the Board's ability to continue to serve the long-term interests of Raytheon and its shareholders. To that end, the Governance and Nominating Committee has identified critical experiences, qualifications, attributes and skills, and uses a matrix to ensure each is adequately represented among our directors. The Committee regularly reviews the director skills matrix to confirm that it appropriately reflects the attributes most needed to support Raytheon's long-term growth strategy.

In light of Raytheon's current emphasis on international growth, emerging customer needs, technological innovation, and cybersecurity, as well as our complex and evolving business and operations generally, including a national security focus and classified and other regulatory requirements, the Governance and Nominating Committee believes the following experiences, qualifications, attributes and skills must be adequately represented on the Board:

- Gender/Racial Diversity
- Public Company Board/Committee Leadership
- Public Company CEO
- Financial/Accounting Expertise
- Operating Expertise
- International Operations and Sales
- Engineering/Science/Information Technology
- Aerospace/Defense Industry Expertise
- Cyber/Software
- Risk Management
- U.S. Department of Defense/Government
- Corporate Governance/Legal/Regulatory
- M&A/Strategy Development
- Commercial Business

From time to time, the Committee may engage a third party for a fee to assist it in identifying potential director candidates.

BOARD REFRESHMENT AND CURRENT COMPOSITION

In addition to ensuring the Board reflects an appropriate mix of experiences, qualifications, attributes and skills, the Governance and Nominating Committee focuses on director succession and tenure. Over the last five years, the Board has undergone significant refreshment, resulting in a lower average tenure, younger average age, and broadened diversity of backgrounds.

Board Refreshment **Average Tenure of Proxy Nominees** **Average Age**

Through this refreshment, a number of directors joined the Board with key experiences and attributes, such as public company CEOs and individuals with experience in international sales and operations, commercial business, information technology, cyber/software and global security.

Independence	Gender/Racial Diversity	Public Company Board/Committee Leadership
Public Company CEO	Financial/Accounting Expertise	Operating Expertise
International Operations and Sales	Engineering/Science/Information Technology	Aerospace/Defense Industry Expertise
Cyber/Software	Risk Management	U.S. Department of Defense/Government
Corporate Governance/Legal/Regulatory	M&A/Strategy Development	Commercial Business

The Board has achieved a balance of directors who have served for a number of years and have a deep knowledge of Raytheon's business and operations and newer directors who lend fresh perspectives.

In addition to refreshing the Board's composition generally, the Board regularly adjusts its committee chair and committee membership assignments. This promotes strong committee leadership and independence as well as director development and succession planning. In the last two years, Tracy A. Atkinson became the Chair of the Audit Committee, Stephen J. Hadley became the Chair of the Governance and Nominating Committee, and Letitia A. Long became the Chair of the Public Affairs Committee.

DIRECTOR INDEPENDENCE

The Board has adopted specific director independence criteria, consistent with the New York Stock Exchange (NYSE) listing standards, to assist it in making determinations regarding the independence of its members. These criteria, which are detailed in our Governance Principles, are available as described below under "Governance Documents." A director is considered independent only if the Board determines the director does not have a material relationship, directly or indirectly, with Raytheon.

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The Board considers the independence of its members at least annually, in part by reviewing Raytheon's relationships with organizations with which our directors are affiliated. The Board has determined that no director other than Mr. Kennedy, the Chairman and CEO, has, directly or indirectly, a material relationship with Raytheon, nor does any other director have a direct or indirect material interest in any transaction involving Raytheon. Every director other than Mr. Kennedy satisfies our independence criteria.

In connection with its review and determination of director independence, the Board considered certain non-material relationships and transactions involving directors, including:

- Johnson Controls International plc, where Mr. Oliver serves as Chairman and Chief Executive Officer, provides products and services to Raytheon, including fire protection and security systems, industrial equipment and services;
- State Street Global Markets, LLC (SSGM), a subsidiary of State Street Corporation, where Ms. Atkinson serves as Executive Vice President and Chief Compliance Officer, provides purely transactional processing services to Raytheon pension plans in the ordinary operation of the plans; and
- BMC Software, Inc. (BMC), where Mr. Beauchamp serves as Chairman, provides software licenses and related services to Raytheon.

In all cases, the transactions occurred in the ordinary course of business; none of the directors had any direct or indirect material interest in, or received any special compensation in connection with, the transactions or relationships; and the amounts paid in those transactions were well below thresholds prescribed under the NYSE standards and the Governance Principles.

BOARD AND COMMITTEE EVALUATION PROCESS

BOARD AND COMMITTEE EVALUATIONS

The Governance and Nominating Committee leads an annual performance evaluation of the Board and each Board committee as described below.

Each director completes a Board self-evaluation questionnaire and a separate questionnaire for each committee on which the director serves. The Board-specific questionnaire requests ratings and solicits detailed suggestions for improving Board and committee governance processes and effectiveness. The committee-specific questionnaires are tailored to the respective committees' roles and responsibilities and any applicable legal or regulatory obligations.

Self-evaluation questionnaire results are compiled and summarized by the Office of the Corporate Secretary. The summaries include all specific director comments, without attribution. Each director receives the Board self-evaluation summary and the self-evaluation summary for each committee on which the director serves. The Lead Director and the Chairman receive all of the self-evaluation summaries.

Committee self-evaluation results are discussed by each committee, and Board self-evaluation results are discussed by the full Board, in each case in executive session. Each committee and the Board identify areas for further consideration and opportunities for improvement, and implement plans to address those matters.

Each committee and the full Board convene in executive session to review progress with respect to any identified areas for further consideration.

ONGOING

Directors may discuss concerns, including those related to individual performance, separately with the Lead Director.

The Board views self-evaluation of Board and committee performance as an integral part of its commitment to continuous improvement. This process has prompted a number of changes to the Governance Principles, committee charters, and Board governance practices generally. By way of example, the self-evaluation exercise led the Board to enhance processes related to director candidate identification and recruitment, executive succession planning, and director education. The Governance and Nominating Committee periodically reviews the evaluation process and considers ways to augment it.

INDIVIDUAL DIRECTOR SELF-ASSESSMENTS

In 2017, the Governance and Nominating Committee introduced annual individual director self-assessments to solicit director input on the following:

Current and potential future committee assignments;	Interest in future committee chair/Lead Director roles and recommendations on fellow directors to serve in those roles;	Self-assessment of current skills and experience, and proposed development goals and plans to enhance the director s value to the Board and committees; and	Possible development activities and educational resources needed to facilitate achievement of those goals.

Each non-employee director, other than Mr. Work (who was new to the Board at the time), and Ms. Brown (who had not yet joined the Board), was asked to complete an Individual Director Self-Assessment Questionnaire in 2017. The self-assessment questionnaire results facilitate the Governance and Nominating Committee's efforts relating to director development and Board/committee leadership succession planning.

SHAREHOLDER ENGAGEMENT

Under the Board's supervision, we make a concerted effort to engage with shareholders to ensure we consider their views and address their interests. In addition to meeting with investors to discuss our performance, strategy and operations, we also regularly engage with our shareholders to solicit their views on governance and executive compensation matters.

KEY ELEMENTS OF GOVERNANCE AND COMPENSATION OUTREACH

We recognize the value of engaging with our shareholders on governance and compensation matters so we can better understand their views and interests and share our perspective on these important subjects. The hallmarks of our shareholder engagement program are described below.

Two formal governance/ compensation outreach efforts annually since 2010	In addition to communicating with shareholders during our proxy season in the spring, we formally engage with our shareholders in the fall to promote a constructive dialogue and provide opportunities to discuss governance and executive compensation matters during a less hectic time of the year.
Engagement with significant portion of shareholder base	Historically, we have communicated each year with shareholders typically representing between 30% and 40% of Raytheon shares.
Board/Committee review of outreach	We review our outreach efforts and the shareholder input we receive with our Governance and Nominating Committee semi-annually.
Consideration of shareholder views on governance/compensation	Shareholder input is a key consideration for the Board and management in reviewing the executive compensation program and governance initiatives.

GOVERNANCE INITIATIVES

Over the past several years, shareholder input solicited during our outreach efforts has contributed greatly to shaping a number of our governance initiatives. For example, as part of our fall 2015 outreach, we communicated extensively with our shareholders regarding their views on shareholder proxy access, including key terms such as the minimum shareholder ownership percentage, the maximum number of shareholders who could join together to nominate a candidate, and the number of directors that could be nominated. As a result, in 2016, the Board proactively adopted a proxy access by-law amendment. Other key governance initiatives on which we solicited input from our shareholders include:

- Shareholder right to act by written consent;
- Enhanced proxy statement executive compensation and governance disclosures;
- Exclusive forum by-law;
- Shareholder right to call a special meeting; and
- Enhanced political contributions and lobbying expenditures disclosure.

More recently, in 2017, in response to shareholder input, we introduced a revamped proxy statement that makes key information more accessible and understandable. The proxy combines with our annual report and corporate responsibility report to more clearly illustrate how the Board and executive leadership set a tone at the top that promotes integrity, accountability, transparency and the highest ethical standards.

COMPENSATION PROGRAM

In regular outreach discussions, we request shareholder input on Raytheon's executive compensation program, including design elements and metrics, to ensure that the program reflects shareholders' interests and objectives. We believe the results of Raytheon's annual say-on-pay vote, which has averaged 95.0% support in the last seven years, confirm the value of this endeavor.

GOVERNANCE POLICIES AND PRACTICES

MAJORITY VOTING FOR DIRECTORS

Our by-laws contain a "majority of votes cast" standard for uncontested elections of directors, meaning that a nominee is elected if the number of votes cast for the nominee exceeds the number of votes cast against the nominee. In contested elections (that is, those in which the number of nominees exceeds the number of directors to be elected), the voting standard is a plurality of votes cast.

Our Governance Principles provide that any incumbent director in an uncontested election who fails to receive the requisite majority of votes cast "for" his or her election must tender a resignation to the Governance and Nominating Committee. The Committee will make a recommendation to the Board as to whether to accept or reject that resignation. The Board will act on the resignation and publicly disclose its decision and the rationale behind it within 90 days from the date results are certified. The director whose resignation is under consideration will abstain from participating in both the Governance and Nominating Committee's recommendation and the Board's ultimate decision. If a resignation is not accepted by the Board, the director may continue to serve.

SERVICE ON OTHER BOARDS

Our Governance Principles limit the number of public company boards on which a director may serve to four (including Raytheon), or two in the case of a director who currently serves as an executive officer of a public company (including the board of the company where the director is employed). This latter limitation applies to our CEO. Additionally, we have established a policy requiring all officers and employees to obtain written approval before joining the board of another business entity to ensure that such service is not contrary to Raytheon's interests.

A director who is considering joining the board of another public company must discuss the proposed board service with the Chairman of the Board and the Chair of the Governance and Nominating Committee, and may not accept the position until advised that service on the other board has been approved by the Governance and Nominating Committee. A director also must notify, and obtain preapproval from, the Governance and Nominating Committee before joining the board of a privately-held, for-profit company and before accepting any paid consulting or advisory engagement. In conducting its reviews, the Governance and Nominating Committee considers whether the proposed board or other engagement would conflict with a Raytheon policy or service on the Raytheon board; the time required for Raytheon board and committee attendance, preparation and participation; and other factors it deems appropriate.

CODE OF CONDUCT AND CONFLICT OF INTEREST POLICY

We have adopted a Code of Conduct and a Conflict of Interest Policy covering a wide range of issues that serve as the foundation of our ethics and compliance program.

The Code of Conduct provides guidance on conflicts of interest, insider trading, discrimination and harassment, confidentiality, and compliance with laws and regulations applicable to the conduct of our business. All officers, directors, employees and representatives are required to comply with the Code of Conduct, and are subject to disciplinary action, including termination, for failure to do so. We provide ethics education for directors, officers and employees. Any amendments to the Code of Conduct, or the grant of a waiver from a provision of the Code of Conduct requiring disclosure under applicable Securities and Exchange Commission (SEC) rules, will be disclosed on our website.

Under our Conflict of Interest Policy, directors, officers and employees are expected to bring to the attention of the Vice President, General Counsel and Secretary or the Vice President – Ethics and Business Conduct any actual or potential conflict of interest. There are four ways that anyone may report matters of concern to Raytheon's Ethics Office:

1. through our anonymous, confidential toll-free EthicsLine at 1-800-423-0210;
2. on-line through the Raytheon Ethics Check Line, https://raytheonethicscheckline.webline.saiglobal.com;
3. by writing to the Ethics Office, Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451; or
4. by submitting comments on our website at www.raytheon.com in the section entitled, "Contact the Ethics Office," under the heading "Investor Relations/Corporate Governance/Contact the Company."

TRANSACTIONS WITH RELATED PERSONS

Our Board has adopted a written Related Party Transactions Policy. Related party transactions include all transactions and relationships involving amounts in excess of $120,000 between Raytheon (including subsidiaries) on one side, and any director, executive officer, 5% shareholder, or an immediate family member of any of the foregoing ("interested person") and certain entities in which an interested person has a significant interest, on the other. Under the policy, the Governance and Nominating Committee reviews the material facts of all related party transactions identified by the Vice President, General Counsel and Secretary and determines whether to approve, disapprove or ratify the transaction or relationship involved. Certain transactions and relationships have been preapproved for purposes of the policy, including (a) executive officer compensation approved by the Board, (b) director compensation, (c) certain relatively small transactions between Raytheon and other companies, and (d) certain charitable contributions made by Raytheon.

Mses. Atkinson and Long, and Messrs. Hadley, Oliver, Winnefeld, Work, Kennedy, Wajsgras and Yuse served as members of boards of, or were otherwise affiliated with, charitable or other non-profit organizations to which Raytheon made contributions in 2017 (other than through a trade association membership or our matching gift and charitable awards program). These contributions were consistent with all company policies, and no organization received, in the aggregate, more than $200,000.

In a Schedule 13G filing made with the SEC, BlackRock, Inc., including its subsidiaries, reported beneficial ownership of 7.3% of our outstanding common stock as of December 31, 2017. Under a previously established business relationship, BlackRock has provided investment management services for the benefit of the Raytheon Master Benefit Pension Trust. For providing such investment management services, BlackRock received fees of $5.9 million in 2017. The Governance and Nominating Committee has reviewed this relationship and approved it on the basis that BlackRock's ownership of Raytheon stock plays no role in the business relationship between the two companies and the engagement of BlackRock has been on terms no more favorable to it than terms that would be available to unaffiliated third parties under the same or similar circumstances.

POLICY ON SHAREHOLDER RIGHTS PLANS

We do not have a shareholder rights plan. The Board will obtain shareholder approval before adopting any shareholder rights plan unless the Board, in the exercise of its fiduciary duties, determines that, under the circumstances then existing, it would be in the best interests of Raytheon and our shareholders to adopt a rights plan without prior shareholder approval. If a rights plan is adopted by the Board without prior shareholder approval, the plan must provide that it will expire within one year of adoption unless ratified by shareholders.

RESTATEMENT CLAWBACK POLICY

Our Governance Principles contain a Restatement Clawback Policy that gives the Board the right to recover Results-Based Incentive Plan payments, Long-Term Performance Plan awards, and restricted stock awards made on or after January 1, 2009, to any elected officer, to the extent that such payments or awards were inflated due to erroneous financial statements substantially caused by the executive's knowing or intentionally fraudulent or illegal conduct. The policy is designed to increase the likelihood that Raytheon will be successful if we seek to recover the portion of an executive's incentive compensation attributable to inflated financial results caused by the executive's malfeasance.

DIRECTOR NOMINATIONS BY SHAREHOLDERS

Nominations for director may be made by the Board, by a Board committee, or by a shareholder or shareholders entitled to vote who comply with the relevant provisions in Raytheon's by-laws.

SHAREHOLDER NOMINATIONS VIA PROXY ACCESS BY-LAW (SECTION 2.11)

The proxy access by-law sets forth conditions under which shareholders may include nominees in Raytheon's Annual Meeting proxy materials. The proxy access by-law provides that:

- It is available to shareholders who have beneficially owned 3% or more of Raytheon's outstanding stock continuously for at least 3 years;
- Loaned stock is counted as owned, subject to certain provisions related to power to recall;
- The 3% ownership threshold can be satisfied by up to 20 shareholders acting in concert;
- The number of nominees is equal to the greater of 20% (rounded down) of all directors or 2 ("20% or 2");
- The 20% or 2 cap is not reduced by the number of previous proxy access nominees elected and re-nominated by the Board, but is reduced by the number of other nominees nominated under the standard advance notice by-law described below;
- Nominating shareholders need not continue to hold their shares after the Annual Meeting for which nominees are submitted;
- A proxy access nominee will not be disqualified because he or she receives third-party compensation, subject to disclosure requirements;
- A proxy access nominee cannot be re-nominated for two years if such nominee was not supported by at least 25% of the shares voting; and
- Notice of nominees that satisfies the proxy access by-law must be received by Raytheon during a prescribed time period, which, for the 2019 Annual Meeting, will be between November 18, 2018, and December 18, 2018.

SHAREHOLDER NOMINATIONS OTHER THAN VIA PROXY ACCESS BY-LAW (SECTION 2.7)

Shareholders also may nominate people for election to the Board at an annual or special meeting of shareholders in accordance with the standard advance notice by-law provisions. For our 2019 Annual Meeting of Shareholders, we must receive this notice between January 31, 2019, and March 2, 2019. We are not obligated to include any such nomination in our proxy materials.

Shareholders wishing to propose a director candidate for consideration by the Governance and Nominating Committee may do so by sending the candidate's name, biographical information, and qualifications to the Committee Chair, in care of the Corporate Secretary, Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451. The Committee reviews each candidate's qualifications in relation to the director qualification criteria contained in our Governance Principles and determines whether the candidate should be nominated for election to the Board.

DIRECTOR ORIENTATION, DEVELOPMENT AND EDUCATION

Orientation

Under the oversight of the Governance and Nominating Committee, the Company has for many years provided each new director with a formal orientation program. As part of their orientation, new directors visit key Raytheon sites and also become familiar with the resources available to them, such as governance materials, key Raytheon policies and procedures, overviews of Raytheon's businesses and functions, and membership in the National Association of Corporate Directors (NACD).

In 2017, the Governance and Nominating Committee expanded the program to require a customized orientation plan for each new director, tailored to the director's specific background, to address substantive areas where directors do not have significant experience and prepare directors for their initial Board committee assignments. As a result of a customized orientation plan, a new director might, for example:

- Participate in corporate briefings on Raytheon-specific topics;
- Visit and attend briefings at company operations sites; and
- Participate in Director Education programs sponsored by leading organizations such as NACD, Harvard Business School, and Stanford/University of Chicago Directors' Consortium.

Director Development

Directors are encouraged (through the individual self-assessment process and otherwise) to identify development goals, activities and resources that will help them satisfy their obligations to the Board and the committees on which they serve. Individual director development is a key consideration for the Governance and Nominating Committee when it determines committee assignments and engages in Board/committee leadership succession planning.

Ongoing Director Education

Our director education program consists of visits to Raytheon facilities and education regarding our Code of Conduct and other policies and practices relevant to our business and operations. Periodically, we provide updates on topics of interest to the Board. We also encourage directors to attend external director education programs at Raytheon's expense. We regularly provide the Board with descriptions of a variety of upcoming director education programs that may be of interest, together with assessments from directors who participated in such programs in the past.

COMMUNICATION WITH THE BOARD

Here is how interested parties may communicate with our Board.

Mail:

Corporate Secretary
Raytheon Company
870 Winter Street
Waltham, Massachusetts 02451

Internet:

www.raytheon.com
"Investor Relations/Corporate Governance/Contact the Company"
"Contact the Board"

Communications are referred to the Lead Director and tracked by the Office of the General Counsel.

Here is how anyone who has a concern about our accounting, internal controls over financial reporting, or auditing matters may communicate that concern to the Audit Committee.

Mail:

Raytheon Audit Committee
Corporate Secretary
Raytheon Company
870 Winter Street
Waltham, Massachusetts 02451

Internet:

www.raytheon.com
"Investor Relations/Corporate Governance/Contact the Company"
"Contact the Audit Committee Regarding Accounting, Internal Controls or Auditing Matters"

Communications will be tracked and investigated in the ordinary course by our Ethics Office, with the assistance of the Office of the General Counsel, unless otherwise instructed by the Audit Committee.

POLITICAL CONTRIBUTIONS AND LOBBYING EXPENDITURES DISCLOSURE

Raytheon has for a number of years voluntarily included disclosure on its website relating to political contributions and lobbying expenditures. In 2016, we significantly expanded this website disclosure to include the following:

- A description of Raytheon policies relating to political expenditures and lobbying practices;
- The titles of decision-makers involved in approvals pertaining to political action committee (PAC) and direct political activities, as well as lobbying activities;
- A discussion of the types of reports we file with regulators relating to lobbying;
- Direct links to reports, as filed with government agencies, specifying Raytheon's federal PAC and lobbying activities;
- Detailed information regarding direct political contributions from Raytheon funds (which were $0 for 2017), including a statement that Raytheon has no plans to make direct political contributions from company funds in the future but, in the event of any such contributions, would disclose them;
- A statement confirming that Raytheon does not spend company funds on communications to the general public in support of political campaigns or ballot initiatives;
- A list of trade associations to which Raytheon has paid annual dues of $50,000 or more and the dollar amount, if any, used by the association for lobbying as reported by the association, as well as a statement that no other separate payment at this level was made to a trade association with the purpose that such payment be used for lobbying; and
- Reference to the oversight role of the Board's Public Affairs Committee, pursuant to its charter, with respect to political and lobbying activities.

This disclosure is available on our website at www.raytheon.com under the heading "Investor Relations/Corporate Governance/ Political Contributions and Lobbying Expenditures."

GOVERNANCE DOCUMENTS

The following key governance documents are available on our website at www.raytheon.com under the heading "Investor Relations/Corporate Governance":

- Governance Principles, including the director independence criteria
- Code of Conduct
- By-Laws
- Charters for each of the Board's standing committees (except the Executive Committee)

These documents are also available in print to any shareholder who requests them by writing to Raytheon Company, Investor Relations (or Corporate Secretary for the by-laws), 870 Winter Street, Waltham, Massachusetts 02451, or by emailing invest@raytheon.com.

THE BOARD OF DIRECTORS AND BOARD COMMITTEES

The Board has six standing committees: Audit, Governance and Nominating, Management Development and Compensation, Public Affairs, Special Activities, and Executive. The charter of each committee (other than the Executive Committee) is published on our website. See "Corporate Governance — Governance Documents" on page 24 for information on obtaining a copy.

During 2017, the Board met formally six times, and engaged in other discussions and actions apart from these meetings. The non-management directors, all of whom are independent, meet in executive session chaired by the Lead Director at the conclusion of each regularly scheduled Board meeting. In addition, committee members generally meet in executive session, without management present, at the conclusion of regularly scheduled committee meetings.

All incumbent directors attended at least 75% of the total of all Board and applicable committee meetings. All directors standing for election are expected to attend the 2018 Annual Meeting of Shareholders. In 2017, all of the directors who were nominated for election at that time attended the Annual Meeting.

The Board's six standing committees are described below. Each committee, other than the Executive Committee, is composed entirely of independent directors. The Executive Committee, which is not required to meet, is comprised of the Chairman, the Lead Director and the chair of each of the standing committees.

COMMITTEE MEMBERS:

Tracy A. Atkinson, Chair | Robert E. Beauchamp | Letitia A. Long | George R. Oliver | James A. Winnefeld, Jr. | Robert O. Work

KEY RESPONSIBILITIES:

Appoint and evaluate the performance and independence of Raytheon's independent auditors;

Oversee the integrity of our financial statements;

Oversee our internal audit function;

Consider the adequacy of our internal controls and the objectivity of financial reporting;

Review the independent auditors' audit of the effectiveness of Raytheon's internal controls;

Pre-approve all audit fees and terms for, as well as all non-audit engagements with, the independent auditors;

Review annual and periodic reports and earnings press releases and recommend to the Board whether the annual audited financial statements should be included in Raytheon's Form 10-K;

Review and discuss with management Raytheon's risk assessment and risk management policies, including enterprise risk management and major financial risk exposures, and steps to monitor and control such exposures;

Review the performance of Raytheon's pension plans and risks related to those plans;

Oversee management of such risks as may be assigned periodically by the Board as a result of Raytheon's enterprise risk management process or otherwise;

Establish and review procedures for employees and others to report concerns or complaints confidentially and anonymously regarding accounting, internal control or auditing matters; and

Review compliance with our Code of Conduct with respect to certain financial reporting, controls and allegations of financial misconduct.

The Board has determined that each member is independent in accordance with NYSE and SEC rules applicable to audit committee members. The Board also has determined that each of Ms. Atkinson and Messrs. Beauchamp and Oliver is an "audit committee financial expert," as defined by SEC rules, and that all members are "financially literate" under the NYSE standards.

The Audit Committee Report is included on page 63.

COMMITTEE MEMBERS:

Stephen J. Hadley, Chair | Dinesh C. Paliwal | William R. Spivey

KEY RESPONSIBILITIES:

Review and report to the Board with regard to matters of corporate governance;

Make recommendations to the Board regarding the size and composition of the Board;

Establish procedures for nominating directors and recommend candidates for election to the Board;

Consider director nominees proposed by shareholders;

Review our Governance Principles and recommend revisions to the Board;

Review and approve or ratify transactions and relationships under our Related Party Transactions Policy;

Review shareholder proposals in connection with our Annual Meetings and recommend actions to the Board regarding such proposals;

Oversee the orientation program for new directors and the continuing education program for existing directors;

Review and recommend to the Board the compensation of non-employee directors; and

Oversee management of such risks as may be assigned periodically by the Board as a result of Raytheon's enterprise risk management process or otherwise.

The Board has determined that each member is independent in accordance with NYSE rules.

COMMITTEE MEMBERS:

William R. Spivey, Chair | Robert E. Beauchamp | Adriane M. Brown | Stephen J. Hadley | George R. Oliver

KEY RESPONSIBILITIES:

Review and oversee compensation and benefits, as well as personnel plans, policies and programs;

Review and recommend to the Board the compensation of the CEO and the other four most highly compensated executive officers (NEOs);

Evaluate the CEO's individual performance;

Review and approve the compensation of elected officers;

Periodically review succession plans for the CEO and other executive officers and elected officers, as well as career development plans for elected officers and other key employees;

Administer and make awards, other than to directors, under our equity compensation plans;

Review and discuss with management the "Compensation Discussion and Analysis" section of this proxy statement;

Review Raytheon's incentive compensation arrangements to ensure they are not reasonably likely to encourage inappropriate risk-taking;

Appoint, compensate and oversee any outside compensation consultant, outside legal counsel or other committee adviser;

Annually assess the independence of its outside compensation consultants or advisers, and pre-approve any services proposed to be provided by such consultants or advisers to Raytheon;

Periodically review diversity and inclusion; and

Oversee management of such risks as may be assigned periodically by the Board as a result of Raytheon's enterprise risk management process or otherwise.

The Board has determined that each member is independent in accordance with NYSE rules.

The MDCC Report is included on page 48.

COMMITTEE MEMBERS:

Letitia A. Long, Chair | Tracy A. Atkinson | Adriane M. Brown | George R. Oliver | Dinesh C. Paliwal | Robert O. Work

KEY RESPONSIBILITIES:

- Review political, social and legal trends and issues that may affect Raytheon's business, operations, financial performance or public image;
- Review our policies and practices in the areas of legal, regulatory and social responsibility, including those involving:
  - environmental protection;
  - health and safety of employees;
  - ethics and our Code of Conduct;
  - export control;
  - regulatory compliance (except financial matters);
  - charitable contributions and community relations;
  - government relations and legislative policy;
  - political contributions and lobbying;
  - anticorruption and use of foreign and domestic consultants and representatives; and
  - government contracting and defense procurement policies;
- Review and monitor corporate policies and practices that relate to public policy; and
- Oversee management of such risks as may be assigned periodically by the Board as a result of Raytheon's enterprise risk management process or otherwise.

The Board has determined that each member is independent in accordance with NYSE rules.

COMMITTEE MEMBERS:

Vernon E. Clark, Chair | Stephen J. Hadley | Letitia A. Long | James A. Winnefeld, Jr. | Robert O. Work

KEY RESPONSIBILITIES:

- Review Raytheon's programs, activities, strategic pursuits and potential acquisitions involving classified business activities;
- Review policies, processes, practices, procedures, risk management and internal controls applicable to Raytheon's classified business;
- Review Raytheon cybersecurity, including with respect to our internal IT systems, products, programs and factories;
- Review any critical technology gaps and how Raytheon is addressing such gaps;
- Support the MDCC, as required, in the review of talent development/succession planning for key technology positions;
- Oversee management of such risks as may be assigned periodically by the Board as a result of Raytheon's enterprise risk management process or otherwise.

The Board has determined that each member is independent in accordance with NYSE rules.

EXECUTIVE COMMITTEE

The Executive Committee is empowered to act for the full Board during intervals between Board meetings, with the exception of certain matters that by law may not be delegated. The Executive Committee did not meet in 2017.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Directors who served as members of our MDCC during fiscal year 2017 were Robert E. Beauchamp, Stephen J. Hadley, George R. Oliver, and William R. Spivey. None of these members is or has ever been an officer or employee of Raytheon. To our knowledge, there were no relationships involving members of the MDCC or our other directors that would constitute a compensation committee interlock.

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PROPOSAL 2:
ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION
(Item No. 2 on the Proxy Card)

The Board is proposing an advisory vote for our shareholders to approve the compensation program for our Named Executive Officers (NEOs) as described on pages 29 to 60 in this proxy statement under the heading "Executive Compensation." While this vote is non-binding, the Board and the MDCC will review the results and consider shareholder opinions. Raytheon also will continue to engage with shareholders to address any concerns relating to executive compensation or other matters. The Board is asking you to vote "yes" on the following resolution:

"Resolved, that the shareholders approve the compensation of the named executive officers described in this proxy statement under 'Executive Compensation,' which section includes the Compensation Discussion and Analysis, the compensation tables, and accompanying narrative disclosure."

Raytheon's compensation program rests on the key principles summarized below.

Pay for performance: Executive compensation is tied to Raytheon and individual performance over both the near and long term.	Pages 4 – 5 and 30 – 43
Shareholder alignment: We ensure that the interests of executives are closely aligned with those of shareholders by making stock-based incentives a central component of compensation and enforcing meaningful stock ownership and retention requirements.	Pages 4 – 5, 32, 37, 42 – 43 and 47
Balanced incentives: Our awards have both significant upside opportunity for exceptional performance and downside risk for underperformance.	Pages 4 – 5 and 30 – 43
Substantial variable component: A substantial portion of each executive's compensation opportunity is variable, based upon Raytheon's financial performance and stock price.	Pages 5 and 37 – 43
Short-term versus long-term: The compensation program carefully balances short- and long-term incentives.	Pages 5 and 37 – 43
Use of key financial metrics: Short- and long-term incentive awards are based on pre-established financial measures that drive optimum performance.	Pages 31 – 32 and 38 – 43
Market focus: The MDCC considers both the practices of peer companies and broader market survey data in setting executive compensation.	Pages 34 – 36
Competitiveness: Our executive compensation program addresses the need to attract and retain highly-qualified executives essential to Raytheon's success in a highly competitive environment.	Pages 4, 30 and 33 – 36
Managing risk: The compensation program is designed to avoid encouraging excessive risk-taking.	Page 45
Consultant independence: The MDCC adheres to a stringent Compensation Consultant Independence Policy when retaining outside advisers.	Pages 44 – 45
Clawback rights: Our clawback policy provides for recovery of compensation in certain circumstances where restatement of financial results is required.	Page 48

In addition, our shareholders have indicated their support of our executive compensation program through advisory say-on-pay votes and in our communications with shareholders. As reflected in the Executive Compensation disclosure, the Board believes the MDCC has established a compensation program for the NEOs that is appropriate and soundly grounded in the above principles, and that warrants shareholder support.

FOR The Board unanimously recommends an advisory vote FOR this proposal. Proxies solicited by the Board will be so voted unless shareholders specify otherwise in their proxies.

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COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

2017 NAMED EXECUTIVE OFFICERS (NEOs)

THOMAS A. KENNEDY Chairman and Chief Executive Officer	**ANTHONY F. O'BRIEN** Vice President and Chief Financial Officer	**DAVID C. WAJSGRAS** Vice President, and President of our Intelligence, Information and Services (IIS) business	**RICHARD R. YUSE** Vice President, and President of our Space and Airborne Systems (SAS) business	**TAYLOR W. LAWRENCE** Vice President, and President of our Missile Systems (MS) business

OUR COMPENSATION OBJECTIVES

Our executive compensation program is designed to:

- Attract and retain highly-qualified executives
- Motivate our executives to achieve our overall business objectives
- Reward individual performance
- Align our executives' interests with those of our shareholders

ELEMENTS OF OUR COMPENSATION PROGRAM

Our program consists primarily of three direct compensation elements.

Base Salary Fixed Annual cash	To provide a base level of cash compensation that is competitive and reflects an executive's experience and scope of responsibilities
Annual Incentive Awards Results-Based Incentive (RBI) Variable, at risk Annual cash	To motivate and reward executives based on their performance in achieving annual Raytheon and individual goals To align short-term executive pay with performance
Long-Term Incentive Equity Awards Restricted Stock Variable, equity (typically 4-year vesting) Long-Term Performance Plan (LTPP) units Variable, equity (3-year performance)	To motivate and reward executives based on Raytheon performance and value delivered to Raytheon shareholders through stock price appreciation To retain highly-qualified executives To align long-term executive pay with performance To align executives' interests with those of Raytheon shareholders

Our executives' total direct compensation reflects a mix of these three elements that meets our compensation objectives. These direct compensation elements are rounded out with certain perquisites and other executive benefits. See "Perquisites and Other Executive Benefits" on page 44. To reinforce the link with shareholders' interests, we require our executives to own a meaningful amount of stock. See "Stock Ownership and Retention Guidelines" on page 47.

2017 COMPENSATION PROGRAM REVIEW

In 2017, the MDCC requested that its new independent compensation consultant perform a comprehensive review of our executive compensation program, including each element discussed above as well as the indirect elements of compensation. This review confirmed that our executive compensation program and practices, including the program structure and pay mix, were generally aligned with typical peer and recognized market best practices. The review also confirmed general peer and market alignment of the selection of financial performance metrics, their weightings, and Raytheon's practices for setting performance goals for our short- and long-term incentive plans. The independent compensation consultant also assisted the MDCC in making certain program revisions, as described under "Compensation Program Changes for 2018" on page 33, to further support our compensation philosophy and principles.

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OUR 2017 PERFORMANCE

In 2017, our growth strategy continued to deliver results for our shareholders and customers, and we also maintained strong program performance and operating margins. Our global team built upon Raytheon's return to growth in 2015, driven by increases in both domestic and international sales. 2017 was the 14th consecutive year of international sales growth, which reflects the continued success of our differentiated international strategy. Highlights of our 2017 performance include:

Strong bookings of $27.7 billion for the year; book-to-bill ratio of 1.09 for the year

Record full-year sales of $25.3 billion, up 5.1% for the year, Raytheon's best growth rate since 2009

Full-year EPS from continuing operations of $6.94, reflecting an unfavorable $0.59 impact from the Tax Cuts and Jobs Act of 2017 and an unfavorable $0.09 impact due to a $1 billion pretax discretionary pension plan contribution

Strong operating cash flow from continuing operations of $2.7 billion for the year, after a $1 billion pretax discretionary pension plan contribution

Record full-year international sales of $8.1 billion, representing approximately 32% of our total sales

Accelerated growth in domestic sales, rising 4.6% during the year, and record full-year sales on classified programs

2017 total shareholder return of 34%

These achievements led us to exceed our 2017 targets on all RBI and LTPP metrics, resulting in the funding levels shown below.

2017 RBI

Dials show RBI funding.

Bookings	**Net Sales**	**Free Cash Flow (FCF)**	**Operating Income From Continuing Operations**
Weighting: 20%	Weighting: 30%	Weighting: 20%	Weighting: 30%

For complete information, see "Executive Compensation in 2017 — Annual Cash Incentives — RBI" on page 38.

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2015 – 2017 LTPP

Dials show LTPP funding.

Average Return On Invested Capital (ROIC)	**Cumulative FCF (CFCF)**	**Total Shareholder Return (TSR)**
Weighting: 50%	Weighting: 25%	Weighting: 25%

For complete information, see “Executive Compensation in 2017 — Long-Term Equity Incentives — LTPP and Restricted Stock” on page 42.

2017 TOTAL DIRECT COMPENSATION

The table below shows the base salary earned, annual cash incentive paid, and equity awards granted to our NEOs for 2015–2017. This supplemental information is not a substitute for the information appearing in the Summary Compensation Table on page 49.

				Annual Cash Incentive	Long-Term Equity Incentives[1]		
NEO	Year	Salary	Bonus	RBI	LTPP	Restricted Stock	Total
Thomas A. Kennedy	2017	$1,403,211	–	$3,434,000	$5,499,988	$4,400,045	$14,737,244
	2016	1,299,979	–	2,938,400	5,000,028	3,899,980	13,138,387
	2015	1,196,467	–	3,046,500	4,500,016	3,400,004	12,142,987
Anthony F. O'Brien	2017	$ 721,159	–	$ 912,400	$1,299,946	$1,249,928	$4,183,433
	2016	608,510	–	734,400	1,199,945	1,100,001	3,642,856
	2015	485,686	–	608,400	1,000,027	800,033	2,894,146
David C. Wajsgras	2017	$ 977,101	$19,542[3]	$1,171,500	$1,250,011	$1,300,065	$4,718,219
	2016	971,943	–	1,052,500	1,250,007	1,300,035	4,574,485
	2015	952,887	–	1,114,400	1,250,034	1,300,040	4,617,361
Richard R. Yuse[2]	2017	$ 821,290	–	$ 984,700	$1,250,011	$1,300,065	$4,356,066
	2016	792,506	–	997,900	1,250,007	1,300,035	4,340,448
	2015	747,763	–	887,100	1,250,034	1,300,040	4,184,937
Taylor W. Lawrence	2017	$ 756,473	–	$ 932,000	$1,250,011	$1,300,065	$4,238,549
	2016	728,151	–	817,900	1,250,007	1,300,035	4,096,093
	2015	693,474	–	810,900	1,250,034	1,300,040	4,054,448

(1) The amounts set forth under the Restricted Stock and LTPP Award columns represent the full intrinsic values of such awards on the date the Board or MDCC made the formal determination for such grant (e.g., target number of shares times the closing price of our common stock on the determination date), since that is the basis upon which the MDCC considers these awards in proposing, recommending and approving annual compensation. In contrast, the Stock Awards column in the Summary Compensation Table represents the grant date fair value of such awards for financial statement reporting purposes.

(2) This table excludes the value of a retention award of restricted stock granted to Mr. Yuse in 2017.

(3) This amount represents a lump-sum payment to Mr. Wajsgras in 2017 in lieu of a base salary merit increase.

OUR COMPENSATION PHILOSOPHY AND PRINCIPLES

Our executive compensation program is designed to attract and retain highly-qualified executives, motivate our executives to achieve our overall business objectives, reward individual performance, and align our executives' interests with those of our shareholders. Our executives must have a particular level of skill and experience to manage our complex, global businesses effectively. Given the duration of our programs, contracts and business cycles, and the competitive nature of our industry, it is especially important for us to retain our executive talent for a number of years to ensure continuity of management.

Several features of our compensation program reflect our compensation objectives.

We use variable, at-risk short- and long-term incentive opportunities to tie a significant portion of each executive's compensation to Raytheon's performance and to individual performance against pre-established financial, operational and other goals.

Our balanced incentives program provides awards with both significant upside opportunity for exceptional performance and downside risk for underperformance.

Our executives have the opportunity to earn compensation that is competitive with compensation earned by executives in comparable positions at companies with which we compete for talent.

The MDCC receives advice from a compensation consulting firm that satisfies stringent independence criteria.

Our stock-based incentives, coupled with meaningful stock ownership and retention requirements, ensure that executives' interests are aligned closely with those of our shareholders.

Our clawback policy authorizes recovery of cash and equity-based incentive compensation in certain circumstances following a restatement of our financial results.

The MDCC designs and monitors the executive compensation program to ensure it does not foster risk-taking that would be reasonably likely to have a material adverse effect on Raytheon.

COMPENSATION PROGRAM CHANGES FOR 2018

In 2017, the MDCC approved adjustments to more closely align our executive compensation program with our compensation philosophy and market practices.

Enhanced pay-for-performance structure of RBI and LTPP incentive programs. Effective beginning in 2018, the MDCC approved adjustments to the RBI and LTPP programs to better align the structure and payout opportunities of Raytheon's incentive plans with market practice.

New "double trigger" accelerated vesting of equity in connection with a change in control. As of May 2017, equity grants provide that an executive's equity awards will vest on an accelerated basis only if the executive is involuntarily terminated within two years of a company change in control. This change was made to better align our equity grant program with market practices and is effective for the 2018 annual restricted stock awards and the 2018–2020 LTPP program.

Eliminated car allowance. Effective July 2017, the MDCC eliminated the executive officer car allowance for consistency with prevailing market practice.

Post-employment restrictive covenants. In order to protect Raytheon's interests, former executives will need to comply with certain restrictive covenants (including non-competition and non-solicitation) after termination in order to receive post-employment LTPP payouts or severance pay. This change became effective for the 2018–2020 LTPP program; our executive severance guidelines were updated in July 2017.

MANAGEMENT OF OUR EXECUTIVE COMPENSATION PROGRAM

The MDCC establishes, oversees and assesses the effectiveness of our executive compensation program in relation to our compensation philosophy and the market. To do so, the MDCC considers input from its independent compensation consultant, shareholders and management, and considers factors such as market data, risk considerations, executives' experience levels, and macroeconomic and organizational considerations. The MDCC considers internal pay equity, but does not establish a fixed relationship between the compensation of our CEO and that of any other NEO.

The MDCC retains an independent compensation consultant to help with designing and evaluating our executive compensation program. Since November 2016, the MDCC has engaged Frederic W. Cook & Co. (FW Cook) to serve as its compensation consultant. See "Independent Compensation Consultant" on page 44 below.

HOW WE DETERMINE AND ASSESS EXECUTIVE COMPENSATION

Our decisions regarding executive compensation are primarily driven by Raytheon and individual performance and market competitiveness. The chart below shows how we distribute the various responsibilities related to establishing compensation.

INDEPENDENT MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE (MDCC)

- Reviews and recommends CEO and other NEO compensation to the independent Board members
- Recommends to the independent Board members annual corporate goals relevant to CEO and other NEO compensation; considers CEO input on other NEO goals and performance
- Evaluates CEO individual performance and reviews individual performance of other NEOs
- Establishes, oversees and assesses executive compensation programs and practices
- Approves short- and long-term incentive plan funding based on Raytheon performance

INDEPENDENT BOARD MEMBERS

- Determine CEO and other NEO compensation
- Determine annual corporate goals relevant to CEO and other NEO compensation

INDEPENDENT COMPENSATION CONSULTANT

- Provides advice on executive compensation programs and practices
- Provides market data and information about peer compensation trends
- Assesses prior year pay-for-performance alignment
- Provides peer company data for setting and amending the peer groups

SHAREHOLDERS

- Provide input on compensation matters via say-on-pay advisory votes and Raytheon outreach efforts

Information about the composition and responsibilities of the MDCC can be found on page 26 under the heading "The Board of Directors and Board Committees — Management Development and Compensation Committee."

PEER GROUPS AND MARKET DATA

We use two peer groups to assist us in assessing the competitiveness of our executive compensation relative to market and weighing Raytheon's performance. Our "core" peer group consists of nine companies that are either aerospace and defense companies or have substantial aerospace or defense businesses. These companies are the most comparable to us based on complexity, operations, revenues, net income, and market capitalization. Our "broader" peer group includes the core peer group plus seven additional companies from other industries that have similar complexity, operations, revenues, net income, and market capitalization to ours.

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We use the core peer group to measure Raytheon's total shareholder return (TSR) performance because these companies are the most similar to Raytheon in their business and operations and we compete with them for contracts and talent. The MDCC also uses the core peer group as a reference point for certain compensation practices in the aerospace and defense industry. The MDCC uses the broader peer group to determine market positioning in setting compensation for our CEO and CFO, and evaluating the relationship between pay and performance for our NEOs. The MDCC also uses the broader peer group as a general reference point for executive compensation practices.

The companies that made up the peer groups for purposes of 2017 compensation are shown below.

Core Peers	General Dynamics Corporation	
	Harris Corporation	Northrop Grumman Corporation
	Honeywell International Inc.	Textron Inc.
	L3 Technologies, Inc.	The Boeing Company
	Lockheed Martin Corporation	United Technologies Corporation
Additional Peers	3M Company	
	Deere & Co.	
	Eaton Corporation plc	
	Emerson Electric Co.	Johnson Controls International plc
	Illinois Tool Works Inc.	Parker-Hannifin Corporation

The following chart shows how Raytheon compares to the core peer group and the broader peer group on several fundamental metrics.

COMPANY	INDUSTRY	FY 2017 REVENUE ($M)	MARKET CAP AS OF 12/31/17 ($M)	EMPLOYEES AS OF 12/31/17
Raytheon	**Aerospace and Defense**	**25,348**	**54,100**	**64,000**
Core Peers				
General Dynamics Corporation	Aerospace and Defense	30,973	60,403	98,600
Harris Corporation[(1)]	Aerospace and Defense	5,900	16,796	17,000
Honeywell International Inc.	Aerospace and Defense/Electrical Equipment	40,534	115,158	131,000
L3 Technologies, Inc.	Aerospace and Defense	9,573	15,460	31,000
Lockheed Martin Corporation	Aerospace and Defense	51,048	91,178	100,000
Northrop Grumman Corporation	Aerospace and Defense	25,803	53,429	70,000
Textron Inc.	Aerospace and Defense	14,198	14,798	37,000
The Boeing Company	Aerospace and Defense	93,392	174,303	141,300
United Technologies Corporation	Aerospace and Defense/Electrical Equipment	59,452	101,945	205,000
Additional Peers				
3M Company	Consumer Discretionary/Containers and Packaging	31,657	140,018	91,000
Deere & Co.[(2)]	Machinery	29,363	42,885	60,500
Eaton Corporation plc	Electrical Equipment	20,404	34,812	96,000
Emerson Electric Co.[(3)]	Electrical Equipment	15,264	44,199	76,500
Illinois Tool Works Inc.	Industrials	14,314	56,979	50,000
Johnson Controls International plc[(3)]	Automotive/Electrical Equipment	30,172	35,294	120,000
Parker-Hannifin Corporation[(1)]	Machinery	12,029	26,554	56,690

(1) Revenue and employee data as of June 30, 2017
(2) Revenue and employee data as of October 29, 2017
(3) Revenue and employee data as of September 30, 2017
Source: Bloomberg

The MDCC reviews both peer groups annually. From time to time, with input from the independent compensation consultant, we adjust the composition of the peer groups to reflect changes in our strategy and markets or changes in the peer group companies themselves. Effective for 2017, we removed EMC Corporation from the broader peer group (because it was acquired by Dell Technologies) and added Deere & Co. Following review, we made no further changes to our peer groups in 2017.

The MDCC obtains information from its independent compensation consultant on the compensation levels, programs and practices of the companies in the core and broader peer groups. The MDCC also considers market survey data published by third parties regarding companies outside of our peer groups. The MDCC uses this survey data in setting compensation of our NEOs other than the CEO and the CFO. The MDCC also uses this data as a general indicator of relevant market conditions and pay practices and as a broader reference point. In addition, the MDCC considers information on market and peer compensation trends (levels, mix, vehicles and metrics) provided by its consultant.

Market data is an important consideration when the MDCC establishes and evaluates compensation levels for our NEOs. In setting our NEOs' target total direct compensation, the MDCC uses the market median for comparable positions as a reference to ensure our NEOs' compensation opportunities are market-competitive and meet the other target objectives of our executive compensation program. The MDCC also considers other factors in setting individual target compensation, including:

- The executive's compensation history and experience in the position;
- The executive's performance against individual goals and contribution to Raytheon's financial and operational performance; and
- The executive's relative level of responsibility with Raytheon and the impact of the executive's position on Raytheon.

As a result of individual and Raytheon performance and the foregoing considerations in setting our NEOs' target total direct compensation, the actual compensation for any individual NEO can vary from the market median.

As shown in this graphic, our NEOs' 2017 target total direct compensation was competitively positioned in comparison to compensation for their counterparts, according to a market assessment prepared by the MDCC's compensation consultant.

Raytheon Target Compensation Compared to Market

In addition, to confirm that actual pay is aligned with Raytheon's performance, the independent compensation consultant analyzes prior year pay-for-performance alignment when peer group performance data becomes available. Most recently, in mid-2017, FW Cook used 2016 peer performance data to analyze our NEOs' 2016 compensation. The analysis assessed the correlation between our short-term pay (base salary and annual incentive awards) and short-term performance for 2016 relative to the peer group. The analysis also assessed the correlation between our long-term pay (total direct pay, consisting of base salary, annual incentive awards, and realizable value of long-term incentive awards and restricted stock over the most recent three-year period) and long-term performance relative to the peer group over the same three-year period. FW Cook made these performance comparisons by considering reported financial results in four areas: growth in revenues, growth in operating income, return on invested capital, and (for long-term performance comparisons only) total shareholder return. For 2016, FW Cook concluded that our executives' short-term pay was somewhat conservative relative to Raytheon's strong short-term operational performance versus peers, and that realizable long-term pay was more closely aligned with long-term performance in comparison to peers.

EXECUTIVE COMPENSATION IN 2017

This section describes the three types of total direct compensation that make up our executive compensation program, as well as the decisions made and compensation awarded in 2017.

TOTAL DIRECT COMPENSATION MIX

The MDCC annually reviews the relative mix of our compensation elements. In particular, the MDCC looks at how the total direct compensation opportunity (i.e., the sum of base salary, target annual incentive, and target long-term incentives) is distributed in the following categories:

- Fixed versus variable
- Short-term versus long-term
- Cash versus equity-based

As shown in the charts below, our executives' 2017 total direct compensation was heavily weighted toward variable, performance-based elements, and toward long-term and equity-based elements.

CEO Total Direct Compensation

Other NEOs Total Direct Compensation[(1)]

(1) Base salary includes a lump-sum payment to Mr. Wajsgras in 2017 in lieu of a base salary merit increase. This amount appears in the "Bonus" column of the Summary Compensation Table on page 49. Restricted Stock excludes a retention award of restricted stock granted to Mr. Yuse in 2017. For more information, see the Summary Compensation Table on page 49.

BASE SALARY

The MDCC reviews the base salaries of our executive officers annually and whenever an executive changes position. Our CEO makes salary recommendations with respect to his direct reports. To maintain competitive pay levels, we refer to the median of base salaries for comparable positions in setting our NEOs' base salaries and considering annual salary changes. However, the MDCC also considers individual factors, as discussed above under "Market Data," including an executive's scope of responsibilities and years of experience. As a result, individual executive salaries may vary from the market median.

In 2017, Mr. Kennedy's base salary was increased by 8.1%, bringing his base salary to the 50th market percentile for his position as CEO. Mr. O'Brien's base salary was increased by 15% to reflect his continuing experience and strong individual performance as CFO in 2017. Base salaries for the three other NEOs increased by an average of 3%.

ANNUAL CASH INCENTIVES — RBI

In 2017, each NEO participated in our annual Results-Based Incentive (RBI) Plan. RBI awards were determined through the process described below.

NEO target RBI payouts are established

At the beginning of the year, each NEO is assigned a target payout expressed as a percentage of base salary.

CEO – 200%	Other NEOs – 100%

Raytheon performance goals are set for RBI funding pool

At the beginning of the year, performance metrics are selected and goals are set based on Raytheon's annual operating plan. The metrics for 2017 were:

Bookings	Net Sales
Free Cash Flow	Operating Income from Continuing Operations

Raytheon performance is assessed and RBI funding is determined

At the end of the year, the MDCC assesses Raytheon's performance against the goals and determines the funding of the RBI pool.

All NEO RBI awards are funded through the total-company RBI pool, not the business unit funding pools.

Individual NEO performance is evaluated

The MDCC considers each NEO's performance against the NEO's individual quantitative and qualitative goals. This individual performance assessment is used to differentiate RBI payouts and motivate and reward extraordinary performance.

Final RBI awards are determined and approved

The RBI funding (as a percentage of target) is applied against each NEO's target RBI payout. That funded amount is then adjusted based on the NEO's individual performance assessment.

The MDCC recommends the NEO RBI awards to the Board for its approval.

TOTAL-COMPANY PERFORMANCE GOALS

The MDCC sets Raytheon performance goals for selected financial metrics. Raytheon's total-company results against those metrics drive the funding of the total-company RBI pool. In order to promote alignment and collaboration across the enterprise, all executive officer RBI awards (including those of individual business presidents) are based on total-company results. Our individual businesses also have separate financial metrics and RBI pools for their employees (other than the business presidents).

For 2017, consistent with past practice, the MDCC selected the following financial metrics for determining funding levels of the RBI pools.

BOOKINGS

Forward-looking metric that measures the value of new contracts awarded to us during the year; indicator of potential future growth.

NET SALES

Growth metric that measures our revenue for the current year.

FREE CASH FLOW (FCF) (1)

Measure of cash generated in a given year available for use in strategic investments to grow our businesses or otherwise generate returns for our shareholders.

OPERATING INCOME FROM CONTINUING OPERATIONS(1)

Measure of our profit from continuing operations for the year, before interest and taxes, and after certain non-operational adjustments.

(1) FCF and Operating Income from Continuing Operations are non-GAAP financial measures. FCF is operating cash flow from continuing operations less capital spending and internal use software spending, excluding the impact of changes to cash flow from pension and post-retirement benefits-related items and other similar non-operational items. Operating Income from Continuing Operations is operating income from continuing operations, excluding the FAS/CAS pension and post-retirement benefits expense/income and, from time to time, certain other items.

These metrics, considered in the aggregate, are strong indicators of our overall performance and our ability to create shareholder value. They are balanced among long- and short-term performance and growth and efficiency, and are aligned with our business strategies. For example, we continue to focus on growing our business in core defense and new markets, both domestic and international. We expect our success in this area to be reflected in our bookings in the shorter term and in net sales in the longer term. In addition to growing our business, we maintain a strong focus on program execution in order to maximize operating income and cash.

At the end of each year, Raytheon's total-company RBI pool is funded (or not funded) based on Raytheon's performance against targets for each of these metrics. In assessing performance for each financial metric, the MDCC considers both quantitative results and qualitative factors. Qualitative factors may include the impact of unanticipated events or events outside of our control, such as acquisitions and divestitures, delays in the timing of contract awards, changes in accounting standards, and certain non-operational items. An assessment of these factors may prompt the MDCC to adjust performance results to more accurately reflect Raytheon's overall operational performance.

Funding for each individual metric is based on the threshold, target and maximum goals. If we do not achieve the threshold for a metric, the MDCC allocates no funds to the RBI pool for that metric. For the 2017 RBI program, meeting or exceeding any metric's maximum performance goal would result in funding for that metric capped at 1.5 times the target funding level for that metric.

The following table summarizes, for the 2017 total-company RBI pool, the pre-established performance targets, the MDCC's assessment of results against each target, and the resulting funding percentage for each target.

Financial Metric (Weighting)	Performance Target	MDCC Assessment of Total-Company Results as a Percentage of Target	RBI Funding
Bookings (20%)	$25.25B	109.7%	21.9%
Net Sales (30%)	$25.04B	103.0%	30.9%
Free Cash Flow (FCF) (20%)	$ 2.21B	123.9%	24.8%
Operating Income from Continuing Operations (30%)	$ 2.89B	104.5%	31.4%
Total-Company Funding Level			**109.0%**

The 2017 results across all RBI metrics, leading to our total-company RBI funding level of 109.0% of target, are indicative of our strong growth, particularly in domestic programs (both classified and unclassified), as well as our solid margins and strong cash flow for the year.

INDIVIDUAL PERFORMANCE GOALS

Each NEO has quantitative and qualitative individual performance goals that are established annually. We believe individualized goals promote personal accountability and help differentiate our executives' compensation based on performance. Each NEO's RBI award is therefore subject to both Raytheon performance (via total-company funding results, as described above) and individual performance. In order to motivate and reward extraordinary performance, individual RBI awards are structured so that payouts can be significantly higher than both target and funding, up to a cap of 200% of target. Conversely, an executive who underperforms in relation to individual goals would receive an RBI award that is less than the executive's target after adjustment for total-company RBI pool funding.

RBI individual performance goals for the CEO. The MDCC recommends, and the full Board (excluding the CEO) approves, our CEO's goals. In connection with his annual performance evaluation, our CEO prepares a written self-assessment of his performance against these goals. The MDCC discusses our CEO's performance and develops a preliminary performance evaluation, which is then discussed by all of the independent directors in an executive session of the Board. Based on this evaluation, the MDCC recommends, and the full Board (excluding the CEO) approves, the CEO's RBI award and other compensation.

RBI individual performance goals for the other NEOs. For our other NEOs, our CEO provides input to the MDCC with regard to appropriate performance goals and provides his assessments and recommendations regarding individual NEO performance.

Examples of individual performance goals for our NEOs for 2017 include:

- Achieving specified milestones in the implementation of Raytheon's strategy to drive profitable growth and create shareholder value;
- Achieving financial objectives within the individual's business or functional area;
- Establishing and maintaining strong customer relationships by providing excellent program performance and innovative solutions;
- Successfully managing the individual's business or functional organization, including implementing improvements in employee hiring, engagement, development and retention;
- Successfully driving exemplary regulatory compliance;
- Achieving sustainability and health and safety goals by increasing energy efficiency and successfully implementing workplace safety initiatives;
- Successfully reducing costs and improving efficiencies to provide customers with affordable solutions; and
- Leveraging diversity and inclusion to achieve global growth, enterprise collaboration and competitive advantage.

Achievement of individual performance goals. A summary of each NEO's 2017 individual performance follows.

- Led Raytheon's strong performance against our business plan, which contributed to the company's stock price reaching new all-time highs and resulted in a 34 percent total shareholder return.
- Sustained revenue growth, with a 5.1 percent increase in net sales from 2016.
- Continued to successfully execute Raytheon's balanced capital deployment strategy, including significant investments to support the company's growth and the return of capital to shareholders through dividends and share repurchases, while maintaining a strong balance sheet.
- Executed Raytheon's growth strategy, resulting in global demand across the company's missile defense; electronic warfare; cybersecurity; command, control, communications, computers, cyber, intelligence, surveillance and reconnaissance; and training portfolio. Raytheon's international bookings grew 3.5 percent from 2016 with key awards that included Patriot Air and Missile Defense Systems, Paveway, Precision Guided Munitions, and Early Warning Radar contracts for several countries.
- Established new, wholly-owned subsidiaries in the Kingdom of Saudi Arabia (Raytheon Saudi Arabia) and the United Arab Emirates (Raytheon Emirates) to enhance the company's presence in key markets and increase business opportunities through localization.
- Promoted continued excellence in corporate governance and responsibility, diversity and inclusion, health and safety, and sustainability. In 2017, Raytheon received the ENERGY STAR® Partner of the Year – Sustained Excellence Award from the U.S. Environmental Protection Agency for the 10th year in a row, and was recognized as one of America's Most Admired Corporations for Supplier Diversity by *Minority News USA*. Raytheon was also named the most community-minded company in the U.S. Industrials Sector in Points of Light's 2017 Civic 50 ranking of superior corporate citizenship, and ranked within the top 50 companies on *Newsweek* magazine's Green Rankings.

- Contributed significantly to the delivery of strong financial performance against Raytheon's business plan and strong stock performance, demonstrated by a total shareholder return of 34 percent.
- Contributed to the establishment of Raytheon Saudi Arabia and Raytheon Emirates, including the formation of local legal entity structures for these

subsidiaries.

Supported Forcepoint’s focus on growth through investments and the acquisitions of Red Owl and Sky Fence.

Continued to promote initiatives to simplify processes and gain efficiencies in key strategic areas.

Completed initiative to embed export/import monitoring and controls into business processes.

Led Raytheon's Intelligence, Information and Services (IIS) business and exceeded all financial objectives, with the strongest bookings performance in the last three years and a book-to-bill ratio of 1.2.

Achieved the following key franchise wins: Air and Space Operations Center Weapon System for the U.S. Air Force; Strategic Systems and Computer Resources Support contract for the Missile Defense Agency; and a mission critical classified space program for next generation ground processing capability. Also initiated the execution of the Development, Operations and Maintenance (DOMino) cyber security contract for the Department of Homeland Security. Successfully delivered the initial ground capability for the Next Generation Operational Control Segment for the Global Positioning System (GPS).

Significantly grew the IIS international new bookings pipeline, and led the international cyber strategy by initiating strategic partnerships in the United Arab Emirates, the Kingdom of Saudi Arabia and Qatar.

Led the Space Protection and Cyber strategic initiatives across Raytheon, ensuring that the company's capabilities are being appropriately leveraged for mission requirements and new business.

Led Raytheon's Space and Airborne Systems (SAS) business to meet or exceed its 2017 goals with respect to bookings and cash, while maintaining strong sales and profit, reducing cost structure.

Achieved strategic customer R&D awards and successful demonstration of High Energy Laser (HEL), Next Generation Air Dominance (NGAD), Secure Processing, and Protected and Secure Communications capabilities.

Achieved key franchise capture and program milestones in HEL, Electronic Warfare, International Special Mission Aircraft, exportable Intelligence Surveillance and Reconnaissance systems, and classified Space and Sensor programs.

Continued expansion of a program and technology portfolio with synergies across the Department of Defense, Intelligence Community and international markets.

Led Raytheon's Missile Systems (MS) business unit to solid performance in 2017, resulting in record bookings, revenues and earnings. Drove a revenue growth of 10%.

Directed efforts to capitalize on global demand for MS products, leading to a continued increase in international bookings as well as record production rates of Paveway laser-guided bombs.

Drove a business focus on customer satisfaction and mission assurance, as demonstrated by the first interception of an intercontinental ballistic missile (ICBM) target for the Exoatmospheric Kill Vehicle (EKV).

Led MS's continued development and investment in innovative technologies, with the goal of providing rapid, high-quality, affordable mission solutions to its customers, resulting in MS being awarded a contract to develop the Long Range Stand-Off (LRSO) weapon.

RBI PAYOUTS

The following table depicts each NEO's target RBI award (the amount each would receive assuming achievement of target Raytheon and individual performance), the target RBI award amount after adjustment for total-company funding of 109.0% (described above), and each NEO's actual RBI award (target 2017 RBI award amount after adjustments for both Raytheon and individual performance).

NEO	Target 2017 RBI Award	Target 2017 RBI Award As Adjusted for Total-Company Funding of 109.0%	Actual 2017 RBI Award
Thomas A. Kennedy	$2,864,000	$3,121,760	$3,434,000
Anthony F. O'Brien	747,404	814,670	912,400
David C. Wajsgras	977,101	1,065,040	1,171,500
Richard R. Yuse	828,828	903,423	984,700
Taylor W. Lawrence	763,426	832,134	932,000

LONG-TERM EQUITY INCENTIVES — LTPP AND RESTRICTED STOCK

Our NEOs receive long-term equity incentive awards in two forms: performance-based restricted stock units pursuant to our Long-Term Performance Plan (LTPP), and time-based restricted stock. In setting our NEOs' aggregate long-term incentive award opportunities, the MDCC references the market median for target total direct compensation, and considers the NEOs' target cash compensation (base salary and RBI) and the individual factors discussed above under "Market Data."

In 2017, the aggregate value of Mr. Kennedy's long-term incentive award opportunities increased by 11.2% compared to 2016 to bring his target total direct compensation to the 50th market percentile, and the aggregate value of Mr. O'Brien's long-term incentive award opportunities increased by 10.9% compared to 2016 to bring his target total direct compensation closer to the 50th market percentile.

LONG-TERM PERFORMANCE PLAN

The LTPP awards performance-based restricted stock units that vest at the end of a three-year performance cycle based on Raytheon performance against pre-established financial goals set by the MDCC. The MDCC has elected to make the LTPP award payouts in common stock, but it could elect to settle these awards in cash instead. LTPP awards are granted annually to provide continuity of opportunity and marketplace consistency. As a result, financial results for any single year will affect the payouts for three overlapping three-year performance periods.

Target LTPP payout opportunities. The MDCC sets, for each executive, a target LTPP payout opportunity for each performance cycle. Depending on Raytheon's performance over the next three years, an executive can receive a payout ranging from zero to 200%, plus accrued dividend equivalents.

Raytheon performance goals. The performance goals for the 2017–2019, 2016–2018, and 2015–2017 performance periods are based on return on invested capital (ROIC), cumulative free cash flow (CFCF), and total shareholder return (TSR). The table below explains these metrics and the weighting assigned to each.

ROIC (1)

Measure of how efficiently and effectively we use capital to generate returns, including through investments and acquisitions. Our ability to generate returns efficiently and effectively is critical to our growth and the funding of our operations.

CFCF (1)

Measure of cash generated over the three-year performance period that is available for use in strategic investments to grow our businesses or otherwise generate return to our shareholders. Our ability to generate cash is critical to our growth and the funding of our operations.

TSR (1)

Measure of our stock price appreciation, including reinvested dividends, over the three-year performance period in comparison to our core peers' stock performance over the same period. Investors recognize TSR as an appropriate measure to motivate executives and to achieve alignment with our shareholders' interests.

(1) ROIC, CFCF and TSR are non-GAAP financial measures. The calculation of CFCF is the FCF calculation described above under the RBI plan over a three-year performance cycle. TSR is calculated using 30-trading-day average stock prices at the beginning of the performance cycle and immediately following the end of the cycle. The calculation of ROIC is (a) the sum of (i) income from continuing operations, excluding the after-tax effect of the FAS/CAS pension and postretirement benefits expense/income and, from time to time, certain other items, (ii) after-tax net interest expense, and (iii) one-third of operating lease expense after-tax (estimate of interest portion of operating lease expense), divided by (b) the sum of (i) average invested capital after capitalizing operating leases (operating lease expense times a multiplier of 8), (ii) financial guarantees, less net investment in discontinued operations, and (iii) the liability for defined benefit pension and other postretirement benefit plans, net of tax, less other similar non-operational items. Such calculation also includes certain variations because the metric is averaged over the three-year performance cycle.

The MDCC believes these three metrics, considered in the aggregate, fairly represent Raytheon's overall performance, and Raytheon performance in these areas leads to the creation of long-term value for our shareholders.

At the beginning of each performance cycle, the MDCC sets target, threshold and maximum Raytheon performance levels for the three-year period for each metric based on the first three years of our five-year financial plan. The MDCC does not change the LTPP targets during the performance cycle, even if management later revises our business projections and plans. In determining Raytheon's performance for each financial metric, the MDCC disregards any change in applicable accounting standards or tax statutes after the awards are granted. The MDCC does, however, retain negative discretion to reduce awards in compliance with Section 162(m) of the Internal Revenue Code (IRC) as applicable to the 2015–2017, 2016–2018 and 2017–2019 LTPP performance cycles due to the grandfathering provisions of the Tax Cuts and Jobs Act of 2017 (the Tax Act). See "Tax Considerations" on page 48. In accordance with their terms, the 2015–2017 LTPP awards exclude, and the 2016–2018 and 2017–2019 LTPP awards will exclude, the impact of the Tax Act on our financial results.

LTPP awards are paid out at the end of their three-year cycles based on Raytheon performance against these predetermined goals. In each case, the goals are independent and additive: if we miss the threshold performance as to one measure, no credit would apply to that element, but above-target performance on another metric could make up for part or all of the shortfall. Meeting or exceeding any metric's maximum performance goal would result in funding for that metric capped at two times the target funding level for that metric.

Achievement of performance goals. The following table summarizes, for the 2015–2017 LTPP award cycle, our performance in the three metrics and the corresponding funding. Because it was not added to the core peer group until 2015, Harris Corporation was not included in the comparative TSR measurement.

Financial Metric (Weighting)	Target Performance	Maximum Performance	MDCC-Determined Performance	Final LTPP Funding
ROIC (50%)	11.18%	12.59%	12.54%	93.8%
CFCF (25%)	$6,350M	$7,850M	$7,385 M	40.6%
TSR (25%)	Ranking 5th	Ranking 2nd	Ranking 3rd	41.7%
Overall Payout Factor %				**176.1%**

The overall payout factor of 176.1% of target reflects strong Raytheon performance during the performance cycle. The results across all 2015–2017 LTPP metrics are indicative of our return to growth ahead of schedule, our stronger than expected growth rate (particularly in domestic programs, both classified and unclassified), and our consistently solid margins and strong cash flow.

RESTRICTED STOCK AWARDS

In 2017, we granted time-based restricted stock awards to Messrs. O'Brien, Wajsgras and Lawrence. These awards vest in three equal tranches on each of the second, third and fourth anniversaries of the grant date provided the employee remains employed with Raytheon on the scheduled vesting dates.

Since 2014, we have granted, in lieu of restricted stock awards, restricted stock units (called "60/10 RSUs") to certain employees who have attained the age of 60 with at least ten years of service with Raytheon. Unlike our restricted stock, 60/10 RSUs continue to vest (but do not accelerate) as scheduled, even if the recipient retires. As a condition of continued post-retirement vesting, an employee must comply with certain covenants, including non-competition, non-solicitation of employees, non-interference with contractual arrangements, confidentiality, and cooperation in certain specified instances. In 2017, we granted 60/10 RSUs to Messrs. Kennedy and Yuse.

In addition, in 2017 we granted a retention award of 3,065 shares of time-based restricted stock to Mr. Yuse. This award vests in full on December 15, 2018.

PERQUISITES AND OTHER EXECUTIVE BENEFITS

While they are a relatively small portion of our executives' total direct compensation opportunities, perquisites and other executive benefits are important to ensure competitiveness at the senior leadership level. Under our executive perquisite policy, we provide our executive officers financial planning services, executive physicals, and life insurance coverage. We also provide other perquisites (such as home security and use of corporate aircraft) to certain executives in limited circumstances due to our security and personal safety requirements. In 2017, for consistency with prevailing market practice, we eliminated the car allowance that was previously provided to executive officers. Individually and in the aggregate, the perquisites we provide to our NEOs are comparable in scope to those provided by the companies in our peer groups, particularly in the core peer group of aerospace and defense companies.

SAY-ON-PAY AND SHAREHOLDER OUTREACH

Since 2011, we have asked our shareholders to vote annually, on an advisory basis, on our executive compensation. We have consistently received strong shareholder support — most recently garnering a 95.0% affirmative vote in 2017.

In 2017 we continued to solicit input from many of our shareholders on various executive compensation and governance matters, resulting in communications with representatives of institutional shareholders owning approximately 32% of Raytheon's outstanding shares. Each year we take this shareholder input under consideration. Other key initiatives are discussed under "Shareholder Engagement" on page 19. We will continue our shareholder outreach efforts in 2018.

In light of the strong support conveyed by the say-on-pay voting results and other input received from shareholders, as well as the factors discussed in this Compensation Discussion and Analysis, the MDCC continues to believe our existing compensation approach is appropriate for Raytheon and its business in the current market environment. The MDCC will continue to monitor shareholder advisory votes and to seek shareholder input on compensation matters, and, in consultation with its independent compensation consultant, will consider changes to the executive compensation program as appropriate.

INDEPENDENT COMPENSATION CONSULTANT

Effective November 1, 2016, the MDCC engaged FW Cook to serve as its independent compensation consulting firm. Among other things, the MDCC's compensation consultant provides information on compensation levels, programs and practices within certain peer groups and the broader market; reports on compensation trends among our peers and the broader market; and performs a pay-for-performance assessment. The MDCC's compensation decision-making process relies on this work product, together with MDCC members' judgment and experience, and information, analyses and recommendations provided by management.

In addition to these regular services, in connection with FW Cook's onboarding as the MDCC's new independent compensation consultant, in 2017 FW Cook performed a comprehensive analysis of our executive compensation program. FW Cook's analysis confirmed that our executive compensation program and practices are generally aligned with the market, and FW Cook made some recommendations for adjustments to further support our compensation philosophy and principles. The MDCC approved these refinements as described in "Compensation Program Changes for 2018" on page 33.

The MDCC has a formal Compensation Consultant Independence Policy to ensure the Committee receives independent and unbiased advice and analysis. The policy prohibits the consultant from providing services of any nature to Raytheon officers and directors personally, and prohibits the consultant from providing to Raytheon advice related to executive and director compensation, employee compensation and employee benefits, other than the advice provided to the MDCC with respect to executive compensation and other matters within the MDCC's scope of responsibilities, and to the Governance and Nominating Committee with respect to director compensation. In addition, the policy and the MDCC's charter require the MDCC to consider all relevant factors specified by NYSE standards when selecting a compensation committee adviser. The MDCC assessed FW Cook's independence in light of these requirements when it retained FW Cook and again in November 2017, and determined that FW Cook is independent and that the firm's work does not raise any conflicts of interest.

The MDCC is required to pre-approve any non-MDCC services that its compensation consultant proposes to provide to Raytheon. As a guideline to avoid any actual or perceived conflict of interest or bias, MDCC policy limits the fees paid by Raytheon for such non-MDCC services to no more than 1% of the consulting firm's annual gross revenues. Other than the services it provided to the MDCC and the Governance and Nominating Committee, FW Cook did not provide any services to Raytheon in 2017.

MANAGEMENT OF COMPENSATION-RELATED RISK

While risk is inherent in many aspects of our business operations, we believe the following features of our compensation program help us appropriately manage compensation-related risk.

- We rely on an assortment of vehicles for delivering compensation, both fixed and variable, including cash and equity-based measures with different time horizons, to focus our executives on specific objectives that help us achieve our business plans and create alignment with long-term shareholder interests.
- Compensation is based on a combination of appropriately weighted performance measures so that executives focus on the business as a whole rather than individual metrics.
- Performance-based awards are capped to prevent undue efforts to surpass the target for any particular measure.
- Incentive compensation for the NEOs is based on individual performance and Raytheon's overall performance, not the performance of specific business units only.
- The MDCC adheres to stringent guidelines when retaining a compensation consultant.
- Our clawback policy provides a means to recover certain cash and equity incentive compensation awarded in reliance on erroneous financial statements substantially caused by the executive's knowing or intentionally fraudulent or illegal conduct.
- Our equity grant policies ensure that equity awards are granted only on the dates of regularly-scheduled Board meetings, and not on dates that are tied to the release of material information.
- The NEOs (as well as our directors and executive officers) must comply with rigorous stock ownership and retention guidelines.

The MDCC has reviewed with management the design and operation of our incentive compensation arrangements for all employees, including executive officers, for the purpose of determining whether such programs might encourage inappropriate risk-taking that would be reasonably likely to have a material adverse effect on Raytheon. The MDCC concluded that Raytheon's compensation plans, programs and policies, considered as a whole, including applicable risk-mitigation features, are not reasonably likely to have a material adverse effect on Raytheon.

RETIREMENT BENEFITS AND DEFERRED COMPENSATION

RETIREMENT BENEFITS

Retirement benefits fulfill an important role within our overall executive compensation program because they provide an element of financial security that promotes retention. Our retirement program, including the amount of benefit, is comparable to those offered by the companies in our peer groups and, as a result, ensures that our executive compensation remains competitive.

We maintain the following broad-based retirement plans:

- the Raytheon Savings and Investment Plan (RAYSIP), a tax-qualified defined contribution retirement plan (401(k) plan) in which all of our executive officers are eligible to participate in the same manner as substantially all other employees;
- tax-qualified, defined benefit pension plans in which all executive officers who joined us before December 31, 2006, are eligible to participate; and
- the Retirement Income Savings Program (RISP) within RAYSIP, a tax-qualified defined contribution plan for employees who joined us after December 31, 2006.

We also sponsor certain non-qualified retirement plans, including:

- the Raytheon Excess Pension Plan, a nonqualified excess pension plan that provides benefits that would have been provided to a participant under the tax-qualified pension plan but for compensation and benefit limits imposed under the IRC; and
- the Raytheon Company Supplemental Executive Retirement Plan (SERP), a nonqualified plan for eligible senior executives, including our NEOs, designed to replicate, but not exceed, the retirement benefit that a mid-career person joining Raytheon would have achieved under the qualified and excess pension plans had such person begun his or her career with Raytheon.

Messrs. Kennedy and Yuse will not receive a payment under the SERP because pension benefits for each of these executives under the formula in our qualified and excess pension plans exceed the maximum 50% of final average earnings that the SERP would provide in connection with a retirement. Our other NEOs could be eligible for SERP benefits, depending on when they retire.

Each of our retirement plans is described in more detail under the heading Pension Benefits beginning on page 54.

DEFERRED COMPENSATION PLAN

We maintain the Raytheon Deferred Compensation Plan under which employees, including our NEOs, who are projected to reach the IRC compensation limit may elect to defer between 3% and 50% of their salary in excess of the limit and between 3% and 90% of their annual RBI plan awards, and receive tax-deferred returns on those deferrals. We make a matching contribution of up to 4% of deferred compensation. For more information on our Deferred Compensation Plan, see Nonqualified Deferred Compensation on page 56.

SEVERANCE PAY ARRANGEMENTS

EXECUTIVE SEVERANCE GUIDELINES AND OFFER LETTERS

Our employees, including our NEOs, are employees at-will; they do not have long-term employment contracts with Raytheon. The at-will employment status of our employees affords us the necessary flexibility to remove employees when appropriate. However, in order to attract and retain highly-qualified executives who may otherwise desire the protection of long-term employment contracts, we offer specified benefits under our executive severance guidelines and under certain NEO offer letters. These benefits provide for the continuation of base salary and health and welfare benefits for two years, and a payment equal to two times target annual incentive award, for our CEO and our executive officers who were first elected prior to January 1, 2010. New officers first elected on or after January 1, 2010 (other than an officer in the CEO role) would receive continuation of base salary and health and welfare benefits for one year, and a payment equal to the target annual incentive award. Beginning in 2017, former executives will need to comply with certain restrictive covenants (including non-competition and non-solicitation) after termination in order to receive severance payments. In addition, certain Raytheon pension plans provide for continued pension benefits following severance. For more information, see Potential Payments Upon Termination or Change in Control beginning on page 57.

CHANGE-IN-CONTROL AGREEMENTS

Separate from our executive severance guidelines, we have change-in-control agreements with all of our executive officers. Changes in corporate control are often accompanied by changes in the corporate culture and job losses, especially at executive levels. If a transaction affecting corporate control of Raytheon were under consideration, we expect that our executives would naturally be faced with personal uncertainties and distractions about how the transaction might affect their continued employment. By entering into change-in-control agreements before any specific transaction is contemplated, we hope to focus our executives full attention and dedication on our shareholders best interests, despite any threatened or pending change in control, and to encourage our executives to stay with Raytheon until any such transaction is completed.

Our change-in-control agreements provide a meaningful severance benefit if a change in control occurs and, within the following 24 months, the executive is either terminated without cause or resigns due to a material reduction in compensation or a material change in job duties without the executive s consent. These agreements are not intended to confer a windfall on our executives occasioned by a change in control. The agreements provide for a double trigger such that an executive would only receive benefits upon a qualifying termination not simply upon a change in control. Our executive severance guidelines and offer letters described above do not apply to a qualifying termination following a change in control, so there would be no duplication of benefits. Our change-in-control agreements provide for post-termination benefits as a multiple of the executive's most recent base salary. That multiple depends upon the executive's position with Raytheon and date of hire.

Our change-in-control and severance arrangements, including benefit amounts and the conditions under which they are triggered, are comparable to those provided by the companies in our peer groups. For more information on our executive severance guidelines and the terms of our change-in-control agreements, see "Potential Payments Upon Termination or Change in Control" beginning on page 57.

COMPENSATION POLICIES

STOCK OWNERSHIP AND RETENTION GUIDELINES

To reinforce our culture and expectation of long-term share ownership, we have implemented the stock ownership guidelines set out below for our elected officers. These guidelines are designed to ensure sustained, meaningful executive share ownership, align executive long-term interests with shareholder interests, and demonstrate our officers' commitment to enhancing long-term shareholder value. The MDCC and the Governance and Nominating Committee regularly review the required ownership levels, as well as attainment of these ownership levels, by our elected officers. Executives have five years from the date on which they became subject to the guidelines to attain the requisite level of ownership, and may not dispose of Raytheon stock until the ownership guideline is satisfied. As of December 31, 2017, each of our NEOs had met or exceeded the applicable stock ownership requirements.

Class of Executive	Ownership Guideline (As a Multiple of Base Salary)
CEO	6X
COO	4X
Senior Vice Presidents and Business Pre	